

EEC unveils scheme to cut British payments

From Michael Hornsby, Luxembourg, June 24

A scheme under which other member states would compensate Britain for many years ahead for the huge losses it makes on financing the EEC Common Agricultural Policy was proposed here today by the European Commission after a year of difficult deliberations.

Announcing the proposal at a press conference, Mr Gaston Thorn, the President of the Commission, said that Britain was the only country faced by a genuinely unfair budgetary situation. Special correction would be needed until that situation changed.

The scheme is no more than a blueprint so far, and virtually everything is left to play for in the hard-bitting negotiations that will get under way between EEC member states in the second half of this year. The proposals will come up for preliminary discussion when the EEC heads of government meet here next week.

The Commission's long-awaited 25-page document gives no precise indication of the level of reimbursement which Britain could reasonably expect, nor any guarantee that it would even be as great as what Britain receives under the temporary settlement agreed last May, which expires at the end of next year.

Because of its overall wealth and the fact that it got back four fifths of what it paid towards the financing of the agricultural policy, West Germany was in a quite different situation from Britain's, Mr Thorn declared.

The Commission President emphasized that the proposal should be seen in the context of related recommendations for long-term reforms of the agricultural policy, which at present consumes more than 60 per cent of the total budget, and other measures to boost development of the EEC's poorer regions and create new jobs.

Europe, he said, was facing its worst crisis in 30 years, and unless the EEC renewed itself to face these new challenges it might not survive.

The Commission would be coming forward with detailed proposals for agricultural reform later in the year, and these would be aimed at three main objectives.

First, the EEC's guaranteed farm prices should gradually be made competitive with lower

world prices. Secondly, price support should be limited to quantities of production that demand. And thirdly, member states should individually bear part of the cost of financing direct income aids for the poorest farmers.

These proposals will be welcome in Britain as going very much in the right direction. But there will be stiff resistance from other member states, who will see them as an attack on the fundamental principles of the agricultural policy.

In particular, there will be alarm over the proposal for transferring part of the cost of supporting farmers from the collectively financed EEC budget to national exchequers.

Compensation is considered necessary by the Commission because of Britain's relatively small, but efficient, agricultural sector, paralleled in no other member state. The Commission accepts that reform of the agricultural policy, coupled with the development of other policies of more financial benefit to Britain, cannot hope to change the position for a number of years.

Hence the need, in the Commission's words, for a special budget compensation mechanism "for a limited period but long enough for the effects of the new guidelines (on agriculture and regional and social policy) to be felt to take effect". According to Mr Christopher Tugendhat, the Budget Commissioner, the mechanism could be needed for five to 10 years.

Compensation would be calculated annually by comparing the gap between Britain's percentage share of total expenditure on agriculture and its share of the EEC's gross national product (GNP), which at present is about 10 per cent.

Britain would then be paid a sum of money, to be spent on approved development projects, so as to bring its share of agricultural expenditure closer to its percentage share of the EEC's GNP.

The Commission envisages that other member states should pay back a percentage of their receipts, calculated according to an accepted indicator of national wealth.

Leading article, page 17

Thatcher appoints new spending 'watchdog'

By Peter Hennessy

Mrs Margaret Thatcher will announce today the appointment of Mr Gordon Downey as a new Comptroller and Auditor General to watch over parliament's spending.

Mr Downey, a deputy secretary in the Treasury's domestic economy section, was number two in the Central Policy Review Staff, the Cabinet's "think tank", until May.

For the first time in the 115-year history of the office, the chairman of the Commons Public Accounts Committee, to which the Comptroller reports, had a say in the appointment.

The chairman, Mr Joel Barnett, Labour MP for Hereford and Royston, rejected Mrs Thatcher's first candidate, Sir Anthony Rawlinson, Second Permanent Secretary in charge of the Treasury's Public Services Section.

Mr Barnett's unwilling outsider could be found the search turned inside Whitehall. Mr Downey and Mr Barnett worked closely together during Mr Barnett's period as Chief Secretary.

Between 1976 and 1978, Mr Downey was deputy secretary responsible for the Treasury's general expenditure divisions.

Prince hopes police will long stay unarmed

The Prince of Wales said he hoped Britain would long have a police force that was not armed and went about its duty

in such a splendid and friendly way. "Having been to other countries, I don't think we do too badly," he said. Page 4

Spanish officers questioned

Three senior Spanish Army officers have been questioned about their alleged roles in a possible military conspiracy, major allegedly took part in meetings aiming to alter Spain's political course. Page 10

Employers reject closed shop curb

In evidence to the government view of labour law policy the Engineering Employers Federation rejects hard-line proposals or new restrictions on the closed shop, opting instead for practical reforms to discourage strikes and outlaw union-only about contracts. Page 2

Iran presidency

The Iranian presidential election will be held on July 24 and Mr Rajai, the Prime Minister, is already the clear favourite to take over from Mr Bani-Sadr, the fugitive former President. Page 8

American who mocked umpire

John McEnroe's doubles partner, Peter Fleming, was penalized a point for mocking the umpire during his match against Tim Gullikson at Wimbledon. The day's play was interrupted by rain and finally abandoned at 7 pm. Page 12

Authors disown schools report

Five authors of a report on multicultural education have disassociated themselves from it, alleging that chapters have been omitted, including passages on the attitude of white pupils, one of whom is quoted as writing: "Black people should be thrown out." Page 4

Chloride losses

Chloride Group, the world's leading battery manufacturer, shocked the market with news of a £17.3m rights issue while announcing losses of £13.5m, described by the chairman as "appallingly bad". Page 19

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Thatcher calls Foot speech disgraceful

By Hugh Noyes
Parliamentary Correspondent
Westminster

Mrs Margaret Thatcher last night totally routed Mr Michael Foot, leader of the Labour Party, in a motion-packed ending to a debate on the latest unemployment figures which now appear to be rising inexorably towards three million.

In so doing, the Prime Minister will have left the nation in no doubt that there is to be no change in government policy, that the fight against inflation will remain the government's first priority and that the primary aim is still lower pay settlements.

The debate ended in uproar with Mr William Whitelaw, Home Secretary, so incensed at the behaviour of Labour MPs as they shouted down the Prime Minister, that he appeared to be almost beside himself with rage. Furiously he yelled across the Chamber at the Labour front bench. Perhaps fortunately, all that could be made of was a much repeated "disgraceful".

Mr Foot totally misjudged the mood of the House. If he had been doing a comedy turn in a music hall, his performance would have brought the House down. But he was a disaster. As Mrs Thatcher told him as she opened her winding up speech—he had wanted to secure a debate on unemployment and, having got it rejected, he had sought to force his deal with unemployment for 34 years, said the Prime Minister, with his typical levity.

"I have never heard a more disgraceful speech. He did not put forward a single aspect of policy," she said.

Indeed, seldom can an opposition attack on such a serious matter have been so short of alternative suggestions from the senior spokesman of the party. Both Mr Eric Varley, Opposition spokesman on employment, who opened the debate, and Mr Foot, winding up, scarcely mentioned any suggestions for dealing with the unemployment problem.

The Opposition's motion was defeated by 311 votes to 241—a government majority of 62.

With Mr James Prior, Secretary of State for Employment, who opened the debate, firmly stating that the Government did not believe that any general election would solve the deep effect of reducing unemployment levels and that lower pay settlements were the least answer, there were no signs of the much heralded divergence with the majority Cabinet view.

But what was the Prime Minister's own remarkable confidence that all would come right in the end. There were now clear signs, she told the House, that the worst of the recession was over.

Manufacturing and industrial production in May was broadly at the same level as last December and consumption was comparatively buoyant in the first quarter. Retail sales remained at a high level.

Although she rejected Mr Foot's demand that she should confirm Mr Prior's prediction earlier this week that unemployment would rise to three million, the Prime Minister admitted that the level would inevitably continue to rise for the next few months because of the numbers of school leavers coming on to the register.

A government motion calling for the defeat of inflation as the only means of increasing prosperity was approved by 306 votes to 248, a government majority of 58.

Earlier, Mr Prior reminded Labour MPs that when their government had reflation by £3,500 billion, unemployment fell by 150,000.

The Secretary of State went on to drum home the message that the single most important underlying cause of the present troubles was the steep rise in unit labour costs.

Some hard lessons had been learned in the private sector, but Mr Prior did not believe that the message was yet understood by the public sector.

Parliamentary report, page 6



Bringing concern from America: Mr Bush (left) with M Mitterrand in Paris.

Mr Bush uses a side gate to avoid red faces at Elysée

From Ian Murray, Paris, June 24

Mr George Bush, the American Vice-President, was slipped in through a side gate of the Elysée Palace just before lunch today, while France's first Communist Ministers for 34 years were leaving by the front door.

The official explanation was that this would avoid a confusing mix up with the photographs of the President and the Elysée's first Communist Ministers. Whatever the case, it avoided what would have been an additionally embarrassing moment in what is in some ways already an embarrassing visit.

From the moment he stepped on to the tarmac at Orly Airport this morning, Mr Bush made it clear that he was going to be asking for a full explanation from his hosts as to the role and the reason for the four Communists in the new French Government.

He told Mr Claude Cheysson, Minister for External Relations, who left the Cabinet meeting to greet him, that the appoint-

ment of Communists to Government had a great significance for President Reagan and the American Government.

Speaking from a prepared script he said that he intended, during his visit, to fully analyse the implications of the move with President Mitterrand and his Government.

He was less than optimistic about the outcome of such an analysis. While recalling the traditional links of friendship and co-operation between the two countries he said that what now had to be worked out was how the two countries might advance their common interests.

Mr Bush said that he hoped it would be possible to have discussions to reinforce the alliance between the two countries, to seek energy independence and to cover other international topics.

President Mitterrand's lunch guests at the Elysée included Mr Cheysson and Mr Charles Hernu, the Defence

Minister. The Americans were Mr Allen Holmes, Deputy Under-Secretary of State for European Affairs, and Mrs Vyke, the Vice-President's defence adviser.

Afterwards President Mitterrand accompanied Mr Bush to the steps of the Elysée where he told journalists that France was "a faithful and loyal ally of the United States and we had a great many things to say to each other about that".

Mr Bush said that France was a sovereign state and the manner in which it chose its Government was a matter for its own citizens and elected representatives. But he recalled the "work" that the presence of Communist Ministers in an ally's Government was causing the American Administration.

Mr Bush is due to leave Paris tomorrow for London and a meeting with Mrs Margaret Thatcher.

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Reagan takes budget battle to the people

From Nicholas Ashford, San Antonio, June 24

President Reagan, struggling to gain congressional approval for his domestic economic package, today made a direct appeal to Americans to support his campaign for income tax cuts and sweeping reductions in social welfare programmes.

In a speech to the sixty-first annual national convention of the junior chambers of commerce (Jay Cees) here in Texas, the President called for an open show of support for his controversial budget and tax Bill.

Reaffirming his determination to "embark on a national crusade to make America great again", the President said he could not guarantee that his Administration would be able to end what he termed "this terrible cycle of economic terrors" unless his complete economic package was approved by Congress.

"If you believe as I do that we must, and that we can, then I suggest that the Members of Congress may be interested in hearing from you and a few million of your fellow citizens," he said.

The President's budget proposal, which calls for a cut of about \$36,000m (about £18,000m) in spending in 1982, has already been passed by Congress.

President Reagan's three-year tax cut programme, which is being opposed by the Democratic majority in the House of Representatives, was speaking-

ing the latest Lewis Harris poll showed that the President's popularity rating was falling sharply. The poll showed that those who thought the President was doing a good job had fallen from 67 per cent in April to 60 per cent in June. Confidence in his economic programme also fell.

President Reagan's plea for a show of public support for his economic programme was well targeted. In addressing the conservative Jay Cees, he was preaching to the converted. They have already publicly supported his economic package.

More important, San Antonio is situated in the heart of conservative Texas—and it is the southern conservative Democrats in Congress (known irreverently as the "Boll-Weevils") whom the President is trying to win over in support of his tax cut programme.

Last month enough conservative Democrats rallied to the President's side to give him a comfortable majority for his budget proposal. However, he is having an uphill struggle with his planned tax cut.

Yesterday, for instance, about 20 of the 63 conservative Democrats whom the President had invited to a White House breakfast to lobby in support of his tax programme failed to turn up for their presidentially poached eggs and English muffins.

Reagan fight, page 9
Foreign investment, page 20

Warships suffer in Navy cuts

By Our Defence Correspondent

Eight warships will be phased out of the fleet as a result of the defence review, whose long-awaited conclusions will be revealed in Parliament today by Mr John Nott, Secretary of State for Defence.

No existing shipbuilding programme will be cancelled but the £120m Type-22 Broadsword class frigates will not be as fully equipped as was originally planned. Work at Chatham Dockyard is also expected to be reduced.

The eight ships which will be removed from the active fleet will be put into a stand-by squadron.

For nuclear-powered fleet submarines will be taken out of the shipbuilding programme to make way for the ballistic missile boats to carry the next strategic deterrent.

Mr Nott is understood to have rejected a proposal that two divisions should be withdrawn from the British Army of the Rhine (BAOR) and rotated through BAOR on a six-monthly basis.

A priority in Mr Nott's review has been the Government's need to find room in the defence budget for the Trident missile system.

Sources last night believed that much of the effect of the cuts will be hidden and that the Navy particularly will be less well-equipped and less well-maintained as a result.

Nott's review, page 4

Dayan says Israel can make bomb

By David Spanier, Diplomatic Correspondent

The claim by President Saddam Hussein of Iraq, that Israel had a nuclear capacity, which up to now had never been publicly admitted, Israel, was confirmed yesterday by Mr Moshe Dayan, the former Israeli Defence Minister.

Israel now has the ability to produce nuclear weapons quickly and would do so if the Arab states acquired atomic bombs of their own, Mr Dayan stated.

The disclosure, reported on Israeli radio, came during an interview with Italian television recorded by Mr Dayan to coincide with next week's general election. It confirms the widely held belief that Israel is a de facto nuclear power.

[According to the Iraqi news agency, which carried an account of the Iraqi President's speech he said yesterday: "Any country seeking peace and respecting people, a country that does not want any people to be dependent or persecuted by foreign powers, should help the Arabs, one way or another, to acquire the atomic bomb in order to face the real Israeli atomic bombs. I think that any country in the world that has a positive responsibility towards humanity and peace must say to the Arabs: 'Here, take arms and face the Zionist atomic threat so you may prevent the Zionist entry from using the atomic bomb against the Arabs and spare the world the dangers of atomic bombs in war.'"]

Mr Dayan, who is leader of the newly formed Telem party, has now clarified the official position by explaining that if an Arab country did introduce nuclear weapons into the Middle East, "we shall also not be too late".

What this means, it is clear from a previous comment by Mr Dayan made last year, is that should Israel be threatened with destruction it would be in a position to warn its enemies that if they attempted to annihilate Israel, they would face extinction themselves.

Israel had never said, as Mr Dayan explained the policy, that it would not use atomic weapons or had no right to employ them—only that Israel would not be the first.

Israel's technological capacity to produce nuclear weapons has never been in doubt. It is also clear that with the F-15, Phantom F-16 and Mirage 111s, as well as its own Kfir fighter aircraft, Israel has ample capacity to deliver atomic bombs to any target in the region.

The general assumption in the West is informed analysts is that Israel has sufficient fissionable material to make about 20 bombs.

One key point about Israel's nuclear programme is that it appears to be entirely independent of any outside assistance. In the early days, the French Government, as is well known, helped the Israelis to get started.

But Israeli technical ability and ingenuity succeeded, so it is generally assumed, in making the programme self-sufficient. This includes the capacity to produce adequate supplies of enriched uranium or plutonium.

The need to find new sources of energy for a country like Israel without oil resources was, of course, obvious. But the military significance of the project was clearly an important factor.

There is no evidence that Israel can enrich its uranium derived from phosphates to weapons grade material, but again the assumption is that it can produce plutonium at its nuclear plant at Dimona.

The dilemma for the Israeli authorities is, perhaps, that they cannot opt for both an energy programme and a military capability.

Kidnap girl saved at ransom rendezvous

By Stewart Tendler and Robin Young

The daughter of a retired Saudi Arabian general was freed by Scotland Yard detectives yesterday after being kidnapped and held for a ransom.

Ream al-Harithi, aged 12, was rescued as she arrived at a pre-arranged meeting spot in north London to be exchanged for the money. The meeting came after almost two days of telephone negotiations mediated by the police operating with the aid of a news media blackout on the case.

Last night officers from the anti-terrorist squad were interviewing two men at Paddington police station. The girl, who cried when the kidnappers allowed her to talk to her parents, was reunited with them.

She is the daughter of General Mashour al-Harithi, who was military attaché at the Saudi Arabian embassy in London until he retired 10 years ago. A wealthy man of 55, the general and his family live in South Lodge, an expensive block of flats in Knightsbridge, west London.

The girl disappeared shortly after she left the family home on Tuesday morning in a car on her way to Glendower School in South Kensington. She was due to arrive at the private school at 9 am.

The child, the driver and the grey Persian family cat, vanished, and shortly after 9 am the family received the first of more than a dozen telephone calls demanding money.

The calls made by a man with a London accent stretched through Tuesday and into yesterday. No clear threats were made but the family was told in effect: "You love your daughter. Pay the ransom."

Scotland Yard was called in at 10 am on Tuesday and began Operation South Lodge. They believe that the kidnappers never realized they had been involved. General al-Harithi had been told not to alert them.

On Tuesday afternoon reporters were told of the case in confidence and agreed not to publish any report until the girl was safe. Police have used similar agreements in the past to safeguard kidnap victims.

Continued on back page, col 7

SMALL FACTORIES BIG BENEFITS

Call David Mowat
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Debrett's new rules on etiquette and manners

By Alan Hamilton

Important amendments to the standard British code of practice for correct social behaviour are announced today by Debrett's Peerage, the widely accepted arbiter of propriety.

It will henceforth be considered bad form for persons giving country house parties to offer separate bedrooms to pairs of unmarried young guests who are plainly living together; to do otherwise would indicate unwarranted personal disapproval by the hostess. An exception may be made in the presence of elderly relations who might be shocked by the arrangement.

It is more or less officially decreed that attentions paid by a man to an unmarried woman no longer necessarily have marriage as their eventual object, and that more temporary goals may be in view.

Debrett counsels, however, that one partner's misunderstanding of the other's intention remains a major hazard.

Concurrent with such a fundamental shift of emphasis, it is also now decreed that a woman, after the first one or two excursions as the guest of a man, should be prepared to

pay her way if the arrangement is to continue.

Debrett advises that it is permissible to announce births in one-parent families in the better newspapers, and full instructions have been issued for placing such a notice in The Times.

On more everyday social occasions, now separate, as acceptable for a woman to bow rather than curtsy before a member of the Royal Family; many women find the curtsy difficult to master, particularly when wearing certain tight popular fashions.

At home it is regarded as no longer fashionable, indeed it is thought of as positively rude, to display one's clutch of invitations to garden party, ball, shooting and hunting to the mantelpiece; a chance guest could all too easily scan them and discover to which events he or she was not invited.

It is, however, now acceptable when dining at home without benefit of servants, to pass food anti-clockwise, thus ensuring that the dish arrives in the next person's left hand, leaving the right hand free to wield the spoon. Paper napkins are allowed.

The guidelines are contained

in Debrett's Etiquette and Modern Manners, a comprehensive workshop manual published today covering all aspects of social conduct, from writing to the Queen to how to hold cutlery (index finger along the handle of the knife).

Mrs Elsie Burch Donald, a native of Tennessee who has lived in Britain for 15 years and is a professional book editor, has produced the guide with the help of seven writers, some of them titled.

"We believe it is the first comprehensive book of etiquette to be issued since the social revolution of the sixties, which swept away much formality and stiffness," Mrs. Donald said.

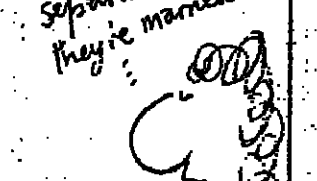
One of Mrs Donald's innovations is a chapter on the etiquette of divorce, which ends with the advice that when one partner remarries, it is considered bad and courteous to invite the former mate to the wedding.

There are several pages of useful advice for hostesses on how to steer dinner-table conversation. Of the four traditional taboos—servants, illness, religion and politics—it is now decreed that conversation about servants is unlikely, but the other three have become fair game. Post-prandial discussion of pornographic films should, however, be avoided.

Despite the new rulings, the book reassures that British society continues on its traditional path untroubled by change. It is still appalling form and a frightful display of ignorance, when invited to ride to hounds, to refer to the "dogs".

Debrett's Etiquette and Modern Manners, edited by Elsie Burch Donald (Debrett's Peerage, 58.95).

We'd better give the Forsytes separate rooms. They're married.



Engineering employers veto hard line on closed shop

Engineering employers sided openly yesterday with the moderate policies of Mr James Prior, Secretary of State for Employment, and advocated relatively minor changes in trade union legislation.

In evidence to the government review of labour-law policy, the Engineering Employers' Federation rejected hard-line proposals for new restrictions on the closed shop, opting instead for practical reforms to discourage strikes and outlaw union-only labour contracts.

The employers argued that the realities of Britain's political and industrial system dictate that only a step-by-step approach to curbing union power will succeed. "We are not in favour of massive legislation," Mr Anthony Prosser, director-general of the federation, said.

The federation says in its evidence: "Unions will not willingly acquiesce in any significant reduction in their immunities, and under the British political system it is virtually certain that immunities taken away by a government of one complexion will be at least restored by another government more sympathetic to the cause of union power."

"There is no merit therefore in initiating this kind of debilitating struggle in industry merely to make use of a temporary political advantage."

However, desirable in principle the wholesale radical reform of union immunities may seem to be, there is no advantage in attempting it unless the British political system can deliver the prospect of its durability.

So the employers want to redirect the debate away from withdrawing trade union immunities and the merits of the closed shop towards practical measures against strikers.

First, the federation wants a "reasonable" and effective remedy to the increasingly damaging deployment of selective industrial action by giving employers whose business is disrupted by industrial action the power to lay off without pay employees who are not involved in the dispute.

Secondly, the federation calls for some curb on the ruinous economic effects of serious industrial action in key undertakings, usually in the public sector. Employers, it is argued, should be free to send their workers home without pay when large sections of the economy are paralysed by extraneous industrial action, such as a lorry strike or dock strike.

The federation recommends four specific changes in the law:

1. That legislation be enacted to enable an employer whose business is disrupted by industrial action to lay off other employees without pay.
2. That the law be changed to exclude an industrial tribunal from considering the fairness or otherwise of the dismissal of an employee who was dismissed while taking industrial action.
3. That the law be changed so that laid-off employees of the same grade or class as those taking industrial action are excluded from unemployment and supplementary benefits.
4. That early legislation should be enacted to declare void clause in a contract that work contracted out will only be done by union labour and so make it unlawful to discriminate between union and non-union companies when awarding contracts.

Mr Prosser added: "We recognise that the present powers and immunities of unions are too great for the effective functioning of a modern industrial society. Nevertheless, they must be gradually reduced in a way that will lead to lasting progress."

Ambulance union turns down all-out strike call

By Donald Macintyre
Labour Reporter

The police again had to provide emergency cover in parts of Scotland yesterday as ambulance workers staged another unofficial 24-hour strike.

But one of the four unions involved in the dispute heavily defeated a call for an official ban on emergency calls.

Delegates at the conference of the Confederation of Health Service Employees in Bridlington rejected a proposal from the Park Royal ambulance station in London seeking sanction for all-out action during 24-hour strikes.

The conference agreed instead to support the official line recommended by union leaders, of maintaining emergency cover. The country's 17,000 ambulancemen have been called to take part in a 24-hour emergency only protest tomorrow.

In Scotland, Mr John Elliott, district officer of the Transport and General Workers' Union, said that about 700 of the region's 1,600 ambulancemen took part in the unofficial stoppage. The police answered emergency calls in Edinburgh and Aberdeen.

However, in a number of rural areas ambulancemen ignored the strike call. The Scottish Ambulance Service said men in the Highlands and Islands had worked normally.

There was some speculation among ambulance workers last night that they might be called by convenors to stage their next one day all-out protest tomorrow, at the same time as the planned official action.

Although that would be preferred by union leaders anxious to avoid protests taking place on different days, the London convenors' committee remain committed to calling on their members to ban emergency calls in defiance of official union advice.

Mr William Hamilton, MP for Fife Central, yesterday suggested to delegates at the COMSE conference that they were on a "hiding to nothing" in the ambulance workers' dispute.

During a strong attack on Mrs Margaret Thatcher, he said: "You just need a strike of nursing personnel or ambulance drivers and one person dies and by God I can see that woman going on television and saying: 'What a nurse. Those dreadful nurses or ambulance drivers or whatever. They have been responsible for the murder of this innocent patient'."

A strike by air traffic controllers at Heathrow airport yesterday afternoon caused widespread disruption of flights. British Airways was forced to cancel 43 European and domestic flights in and out of the airport.

The strikers, who were taking action as part of the Civil Service pay dispute, were supported by immigration officers at Luton, Stansted and Birmingham airports.

Brixton riots warning by police chief

By Lucy Hodges

The former commander in charge of the police district in which Brixton is situated sent a memo to his officers after the Brixton riot last year to warn them that extremists could create similar disorders in Brixton.

Commander Leonard Adams, who left the Division last year after frequent use of the Special Patrol Group, told the Scarman inquiry yesterday that he was very concerned about political extremists in Brixton.

He denied an accusation made by Mr Louis Blom-Cooper, QC, counsel for the Crown, that he was obsessed by what he called extremists. Mr Adams was giving evidence on the eighth day of the inquiry into the cause of the Brixton rioting of April 10-12.

He told the inquiry that he regarded Mr Ted Knight, leader of Lambeth Council, and Mr Nick Slater, of the Lambeth Labour Party, as extremists of the left. "There is no doubt in my experience that political extremists do take advantage of the situation such as we have in Brixton," he said.

Questioned by Mr Rudy Narayan, counsel for the Brixton Legal Defence Group, the commander said he had been a member of the Special Patrol Group before he went to Brixton.

He said he regretted not having consulted the police community liaison committee before bringing the SPG into the area to combat crime late in 1978. The SPG arrived in Brixton a week after the liaison committee's first meeting and was one reason for community leaders withdrawing from the committee. Relations were never restored.

Commander Adams also said he regretted a comment he made on television in connection with the riot—that "a good general ever declares his forces in the prelude to any kind of attack". Mr Adams said this was an unfortunate metaphor to have used but he did not intend to compare himself with the military.

Mr Blom-Cooper told the inquiry that he had overreacted to the crime rate in 1980 when he had said it was mushrooming at an alarming rate. He accused him of producing misleading, misleading and alarmist statistics.

The figures showed that there had been an increase of about 500 in all crimes committed in Lambeth between 1978 and 1979. That is about a 2 per cent increase. Mr Blom-Cooper said: "That's hardly a horrendous increase."

Mr Adams said it was horrendous considering they were talking about 27,700 crimes being committed in a year. He insisted that there was a big increase in the crimes committed by black youths—robbery, burglary and snatching.

Mr Blom-Cooper asked the commander whether he had read a Home Office research study entitled *Race, Crime and Arrests*, published in 1979 which showed that areas of high ethnic minority settlement were not areas of high crime. Mr Adams said he had not, but agreed he ought to have.

Mr Adams agreed with Mr Christopher Whybrow, counsel for Lambeth Council, that certain beliefs were held by black leaders and councillors.

There was a widespread feeling that the police abused their powers and discriminated against black people. There was little confidence in the police complaints procedure. There was fear and resentment about the use of the Special Patrol Group. Some police officers were consulted and there was consultation between the police and their local representatives. Lord Scarman asked the commander why those beliefs had arisen and whether he saw a way forward. Mr Adams said the answer lay with the young. "The problem is relationship between young people, particularly black young people, and police officers," he said. He believed fervently that young policemen should be attached to youth and probation service and hoped so that they met young blacks "should be trying to get together. I would sooner them fighting in a room than in the streets," Lord Scarman said he wondered when a teenager was going to be taken into the witness box to talk to him.

He emphasized that in two of his inquiries he would not informally to see black youth to enable them to talk to him and around him.

Tory union call for staff role

By David Felton
Labour Reporter

Conservative trade unionists called yesterday for legislation to enable greater employee participation in companies. The idea is contrary to present government thinking.

Mr James Prior, Secretary of State for Employment, believes that there is great scope for improvements in worker participation in industry. But he wants changes to be made on a voluntary rather than a compulsory basis.

The Conservative Trade Unionists, an organization which represents Tory members of trade unions, published a booklet on participation which said: "It is time to take the theories down from the shelf and start putting them into practice."

The booklet suggests that enabling legislation should be introduced under which companies would be required to enter into participation agreements with employees within a specified period, perhaps four years. A code of practice should be drawn up to provide guidelines on such agreements.

Mr Timothy Reardon, MP for Mid-Sussex and president of the Conservative Trade Unionists, said last night that enabling legislation on participation would provide a balance for further curbs on trade union powers.

TUC to draft repeal of union reforms

By Our Labour Editor

The TUC is to open discussions with the Labour Party to draw up draft legislation to repeal the Employment Act, 1980, and any further legislation that the Conservatives may introduce later this year.

In a new outburst of hostility yesterday, the TUC General Council said it was highly objectionable that the Government would not extend its deadline of June 30 for representations to be made on the Green Paper on trade union immunities. The unions will not make their views known until after the TUC conference in September.

Mr Len Murray, General Secretary of the TUC, said: "The CBI, propelled by their backwoodsmen and the Government by their most prejudiced and reactionary elements, are hauling each other and the nation to the brink of further legal restrictions on trade unions. This spells danger for industrial relations."

"The CBI is allowing its reckless political loyalty to override the proper consideration of its members' real interests."

□ The Labour Party has called trade union leaders to a conference next month to try to secure a 25 per cent increase in affiliation fees, in order to stave off a huge deficit.

Mr Norman Atkinson, the party treasurer, will urge the unions to implement a 10 per cent increase in the per capita affiliation costs, bringing them to 50p from next January. Many unions argue that they cannot afford any increase even though the party will end this year with an accumulated deficit of between £200,000 and £500,000.

Curb overtime, jobless say

By Our Labour Staff

Leaders of a Fleet Street union were yesterday urged by unemployed union members to curb the amount of overtime and extra day working on national newspapers.

A delegation of unemployed drivers and warehousemen, which met Mr George Willoughby, secretary of the London central branch of the Society of Graphical and Allied Trades, (Sogat), was told that officials would see if there were ways of reducing overtime.

The unemployed Sogat members claim that there are more than 2,000 union members out of work although some distribution staff are working six or seven days a week, which they say is contrary to union rules.

Right of reply call to media

By Our Labour Editor

"Trade union members in the media are being urged by the TUC to implement a 'right of reply' policy designed to rectify any misrepresentation and misreporting and ensure a wider hearing for differing opinions."

A statement of principle on the issue was approved by the TUC's Media Committee yesterday and is now being submitted to broadcasting authorities, newspaper proprietors and the Guild of Newspaper Editors.

The aim of the statement, drawn up by the TUC Media Working Group composed of 10 union general secretaries, is to stimulate discussion at national and local level on the importance of ensuring that people whose views are misrepresented in the media have the opportunity to reply.

The statement says: "Any individual or group whose views or actions have been misrepresented or misreported in a newspaper or magazine, or in a radio or television programme, must be given the opportunity to reply in order to correct harmful or damaging inaccuracies."

"Such a reply must be given equal prominence to that given to the original item."

The statement says that greater publicity should be given to the National Union of Journalists' Code of Conduct. Mr Len Murray, General Secretary of the TUC, said that the media have the responsibility of presenting a fair and accurate picture of the views of the people. It is about how sensitive sections of the media should be. It is part of the continuing development of greater awareness of the media, that they are not above the law; they are part of the battle.

Haughey plans secret initiative on Maze

From Christopher Thomas, Belfast

Mr Charles Haughey, Prime Minister of the Irish Republic, yesterday ended his visit to Belfast and Dublin, and announced a secret initiative.

He refused to elaborate and there was confusion both in Belfast and Dublin as to what he might be planning.

Those familiar with Mr Haughey's style, however, point out that he is struggling for political survival and that a secret initiative might be the hunger-strike conflict might be opportune.

He told the parliamentary party: "The present situation in the Maze prison, with the appalling prospect of further deaths and the hunger strike, is a cause of grave concern and anxiety."

"I have explored every means of finding a solution on humanitarian grounds. I intend to take a fresh initiative to find a solution which would bring the present tragic and dangerous situation to an end."

Mr Haughey's office insisted last night that it had no knowledge of what he was planning.

Earlier yesterday the families of the Maze hunger strikers met Mr Haughey and the leaders of the Orange Order and the Irish Republican Army in Dublin to seek support for the prisoners' demands.

Mr Haughey's chances of survival were unclear yesterday but plans for a coalition of parties to oust him were strengthened.

Mr Haughey and the Labour Party will continue their political bargaining probably until Saturday.

Silkin hopes to win bonus votes

By George Clark and Philip Webster

In the Labour Party deputy leadership stakes, Mr John Silkin, shadow Leader of the House, yesterday made it clear that he is aiming to win extra backing from unions and Labour rank-and-file as a result of Mr Wedgwood Benn's refusal, so far, to agree to a personal declaration of the money he is putting behind his campaign.

"I have heard from Denis Healey that if Tony Benn is to agree, he is willing to submit accounts to the Labour Party of his expenses in the campaign," Mr Silkin said.

"All that the reply is is that he has refused to pay a single penny of his own expenses and that others will be paying on his behalf."

"I am not promising to submit audited accounts up to nomination day, but in acceptance of a limit upon expenditure, and no understanding that the purpose of open accounts is that all may see that expenditure is fair and honest."

Mr Silkin, who has argued that Labour candidates for party leadership and deputy leadership should be restricted in their expenditure, just as parliamentary candidates have to keep within a stated limit during an election campaign, said that he appealed again to Mr Benn to accept.

Mr Silkin said that he had taken care to see that Mr Benn received his letter appealing for a joint agreement among the candidates.

"To date, I have had no reply from Mr Benn," he said. Labour's left-dominated national executive tried yesterday to end the squabbling that has surrounded the deputy leadership contest.

It passed unanimously a motion attacking some prominent members of the party in assaulting the integrity of other members and for generally presenting their views in ways that appeared to be intended to encourage "the right-wing media" to engage in similar attacks.

The motion was clearly aimed at Mr Silkin for the time he has adopted in calling for the three candidates to declare their election expenses, and probably also at Mr Healey.

Mr Healey, however, had no intention of accepting the role of accused. He seconded the motion.

Whitelaw acts to close IRA poll loophole

By George Clark, Political Correspondent

Mr William Whitelaw, the Home Secretary, yesterday published an amendment he proposes to move in the Commons today to the Representation of the People Bill to close a loophole which would have enabled IRA prisoners in the Irish Republic to stand for election in a Northern Ireland constituency.

An amendment by Mr Anthony Marlow, Conservative MP for Northampton, North, and Mr John Cope, Conservative MP for Luton, West, to extend the prohibition to Northern Ireland residents who may be imprisoned in other countries will have some backing but is likely to be defeated.

There could be stronger backing for an amendment put forward by Mr Leslie Spriggs, Labour MP for St Helens, and others that the disqualification of a prisoner should be subject to approval by the Commons.

Last night Mr James Molyneux, leader of the Official Unionists at Westminster, and other members of his party, backed a Commons motion stating: "This House notes the declared candidature of Mr Owen Carron [the late Robert Sand's election agent] in the Fermanagh and South Tyrone constituency, and hopes that before any by-election in that constituency the Royal Ulster Constabulary will question Mr Carron about his association with the IRA and, in particular, about his appearance in Bodestown in the Irish Republic last weekend with one of the IRA convicts who recently escaped from Crumlin Road prison in Belfast."

NEC delays reselection for inquiry

By Our Political Staff

The Labour Party national executive committee decided yesterday to stop the process for selecting prospective parliamentary candidates at Birmingham, Handsworth, because of complaints of irregularities.

Mrs Sheila Wright, the sitting MP, will not be standing at the next election. Allegations have been made to the NEC about the candidature of Mr Rudy Narayan, the barrister who is representing the Brixton Legal Defence Group in the Scarman inquiry.

The NEC also decided to investigate a complaint of irregularity in the selection of Mr Leslie Ruckfield, MP for Nunceaton, as a candidate for the executive, as the candidate for Wigan. The complaint came from the Electrical, Electronic, Telecommunication and Plumbing Union.

The NEC endorsed the selection of Mr Albert Rose, a left-winger, at Birmingham, Ladywood, after hearing the result of Hughes's investigation into complaints of irregularities in the reselection process there. He found there was no substance in the complaints.

□ Mrs Audrey Wise, a former Left-wing Labour MP for Coventry, who lost her seat at the last general election, said yesterday that she had withdrawn from the Birmingham, Handsworth conference (Arthur Osman writes from Birmingham).

The conference is likely to be delayed after yesterday's decision by the NEC to examine allegations about some nominations.

It was said that some of Mr Narayan's supporters had been over-vigilant in campaigning on his behalf. One claim was that they had offered free lunches at a public house.

□ Mr Michael Foot, the Labour Party leader, suffered another defeat at the NEC yesterday when a motion to reinstate under the new common-sense reselection procedure failed.

The NEC defeated, by 16 votes to seven, a motion moved by Mr John Gollins, MP for Newcastle-under-Lyme, and seconded by Mr Foot, to refer back a proposal stopping MPs who are re-elected in seats affected by boundary changes having the automatic right to be considered for selection in the redrawn constituencies.

Steady support for SDP

By Julian Haviland, Political Editor

The social democrats have been told not to believe suggestions that their electoral support is slipping away.

An independent consultant says opinion polls since January when first became clear that the party was to be formed indicate "a high and stable level of support" for them.

The party complains that commentators have tended to begin their reading of SDP history at the end of March, when their rating was boosted by their television launch, and therefore notice only the decline from that point.

Collated findings from five different polling organizations show support averaging a steady 26 per cent from January 27 through February, rising to 36 per cent at the end of March then falling to 23 per cent by the third week of April and staying steady since.

The SDP's pundits have advised them that polls consistently suggest that in an alliance with the Liberals they would win more votes and more seats than either of the major parties.

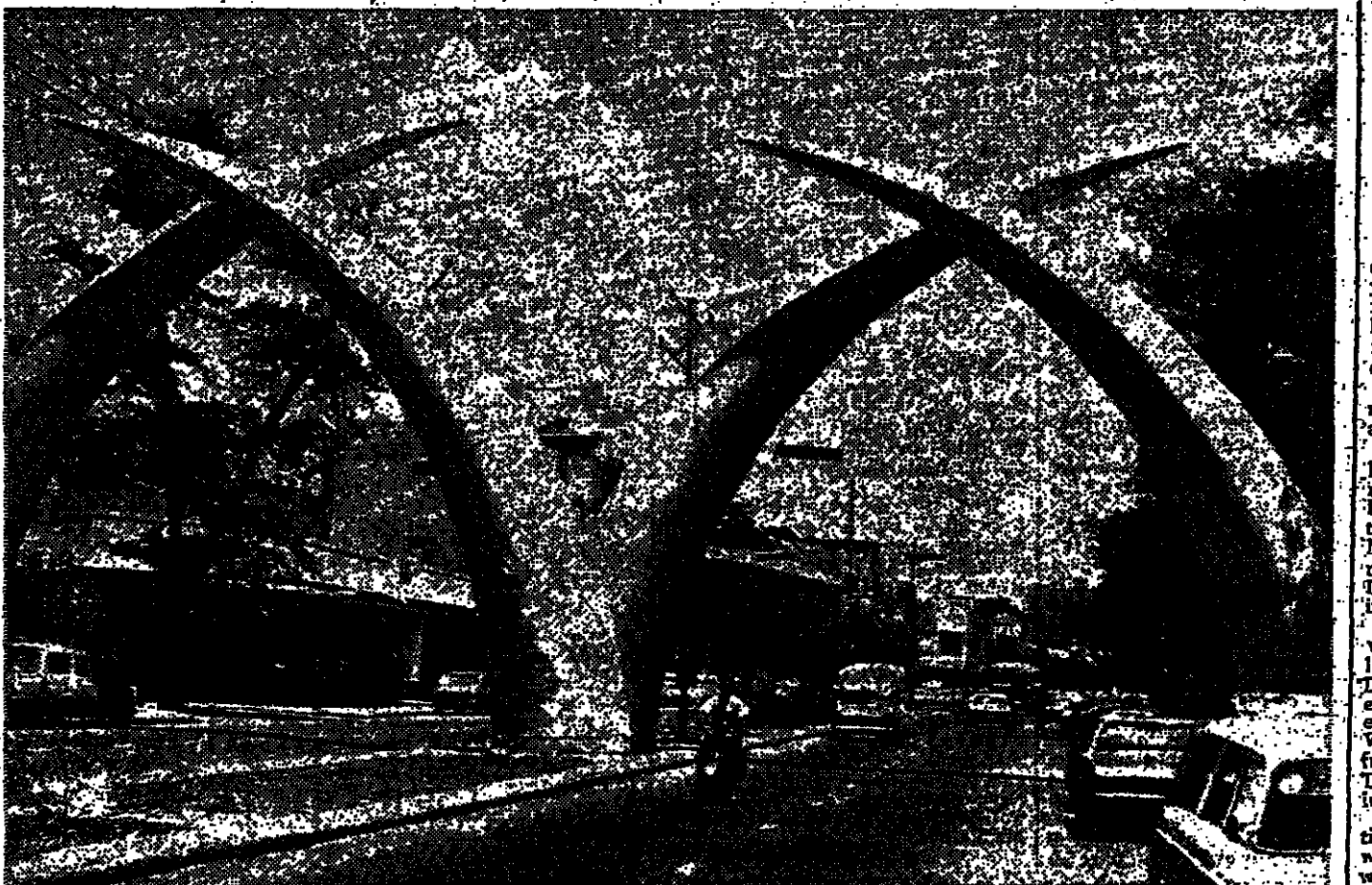
Mr Roy Jenkins, one of the SDP's joint leaders, last night attacked the Government for policies that were "driving unemployment beyond the political breaking point."

HONOURS DECISION

Labour's national executive committee yesterday endorsed without debate a policy statement for scrapping the present form of honours system. Details were disclosed in *The Times* yesterday.

Correction

The final paragraph of the article "The honours of the state" referred not to Father Yves Congar, mentioned in the previous paragraph, but to Professor Yves Congar, Guiterrez, of Lima, mentioned earlier.



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SARJEANT IN SOLITARY CUSTODY

Marcus Sarjeant, the youth accused of firing blank shots near the Queen, is being held in solitary confinement, Bow Street Magistrates' Court was told yesterday.

Mr Sarjeant, aged 17, of Old Dover Road, Cape le Ferne, Folkestone, Kent, was charged under the Treason Act with firing a blank cartridge pistol with intent to alarm the Queen, was further remanded in custody until July 1.

Applying for remand in custody, Det Inspector Ian Blair said police had further inquiries to make. They were aware of the urgency of the matter.

Mr Neville Sarony said the defence was also anxious to expedite the matter because Mr Sarjeant was being held in solitary confinement.

Legal aid was extended to cover the employment of counsel.

It is understood that Mr Sarjeant is being kept in the prison hospital and is isolated from other prisoners. That is normal procedure when a prisoner is being kept under observation.

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British Rail chiefs attack Labour's cheap fares policy

By Michael Bailey, Transport Correspondent

Labour's policy of cheap public transport fares for London was criticised yesterday by British Rail leaders, including Sir Peter Parker, chairman of British Rail.

Sir Peter said it was "dismaying" that the whole public transport scene is being thrown back into the political cauldron after years of trying to get a bipartisan approach.

He indicated that British Rail might require up to £100m a year to compensate for the Greater London Council's cheap fares, but he did not want to join a coordinating council for public transport in London under GLC chairmanship.

The GLC area was only a small part of that covered by British Rail's London and South-east commuter services, Mr Robert Reid, British Rail's chief executive, said. "The GLC's attempt to control the services does not make sense and is totally undemocratic," he said.

Although marketing and tickets were being coordinated with London Transport, overall political coordination should involve 12 county councils as well as the GLC, presumably under the chairmanship of Mr Norman Fowler, Secretary of State for Transport. Mr Fowler has already declared strong opposition to the GLC's transport policies.

Sir Peter was speaking at the London launching of British Rail's latest Commuter's Charter which calls for an extra £100m a year to be spent on London and South-east commuter services.

He emphasized that the money was needed for investment, for new rolling stock, station improvements, track and signalling, and general productivity measures, not for artificially cheap fares on the GLC model.

London commuter trains at

present lose £158m on a revenue of £374m and Sir Peter gave a warning that just to continue within present financial limits would cause a steady deterioration in services, with trains becoming less punctual, less frequent, less reliable and more crowded.

A "standing still" policy would mean a rise in the deficit to £186m by 1990, Sir Peter said. But for an extra £45m, the people of South-east England could have a much more comfortable, clean, efficient and reliable service.

The choice was for the Government and community, Sir Peter said. What British Rail wanted to say in its Commuter's Charter was that we did not have to "just live in a passive, boring way" with the problems of public transport. We could actually get up and do something about it.

Minister for London post proposed

The creation of a new cabinet post, Minister for London, was proposed to the Parliamentary Select Committee on Transport by the British Road Federation yesterday. The Minister would ensure the capital gets its fair share of national resources.

The federation said the GLC had failed as a strategic planning authority for London. Even after plan had been dashed by a deplorable lack of political will and abrupt changes of direction and policy at County Hall, it said.

Although 13 per cent of the population lived in London, an average of only £5 a head was spent on road construction in 1979-80, compared with £15 in England, £28 in Scotland, and £41 in Wales. A £2,500m provision for London roads was needed to give London an adequate system.

BA wants cheaper European fares

By Arthur Reed, Air Correspondent

The door to cheap European air fares had been wedged shut and bolted by airline resistance, government regulation and general inertia, British Airways said yesterday.

British Airways was not the only British airline aware of the need for change. All sorts of exciting proposals had been put forward, ranging from "brand names suggestive of cut-price tobacconists" in the back streets of Boulogne to airy notions about dismantling the entire legal framework in three months flat.

"Real progress depends upon a careful, patient search for ways to overcome the many obstacles," British Airways said in a memorandum to the Commons Industry and Trade Committee.

A paper presented to the committee by Mr John Prothero, BA's managing director, said that fares in Europe were higher than in the United States because of higher costs in all airline operations.

Fuel was more expensive, landing, air traffic control and airport security charges were very much higher, because of the European policy of full-cost recovery, in contrast to United States where many costs were borne by the nation rather than by the industry.

Mr Prothero said the "scandalously high" London-Brisbane return air fare at £119 could be significantly reduced by British Caledonian if United States standards were applied. Each time the airline flew to Brussels it had to pay £157 in "overseas" charges, whereas American airlines flying internally paid none.

Fuel prices at Brussels were 4 per cent higher than at Gatwick while it cost £212 for the handling of a BAC1-11 aircraft there, compared with £40 at Gatwick in the summer and £20 in the winter.



Midsummer Day in Canterbury: Umbrellas shielding the band of The King's School during an open air concert when Queen Elizabeth the Queen Mother visited the Cathedral and school yesterday. She marked the opening of Luxmoore House, the school's new boarding-house, by unveiling a sundial.

Diving rules close fatal loopholes

By Ronald Fox

Only days after the inquiry ended in Aberdeen into the deaths of two North Sea divers, new laws governing off-shore diving operations come into force.

Quite by coincidence the diving regulations from the Health and Safety Executive take effect on July 1 and close many of the legal loopholes and shortcomings revealed in the case of the two Americans who died on the Thistle oil field in August, 1979, when their diving bell was severed from its mother ship.

The inquiry came after a criminal trial last December when Infabco Diving Services was acquitted, because the Crown failed to prove that the company employed the two divers. The sheriff "with regret and reluctance" directed the jury to return a verdict of not guilty.

More than 30 divers have been killed in the North Sea since the oil and gas fuels were first exploited and for at least five years the Government has

been working to find a rational answer to the intricate web of legal and operating questions the energy industry created.

The Diving Operations at Work Regulations, 1981, is the result. They replace three lots of law that were considered to have been thoroughly overtaken by events in the North Sea. An official of the Health and Safety Executive said yesterday that the new regulations were aimed at the type of difficulties the Infabco case had raised.

"One of the things that they ensure is that a diving operation is illegal unless there is an employer of divers who is the diving contractor," clearly identified, he said.

The regulations insist that a working diver must have a valid certificate of training for the type of work he is attempting to do and a valid certificate of medical fitness to dive.

The regulations continue the air diver and bell diver training standards operated by the Mapower Services Commission

and introduced to lesser standards catering for the large number of shallow and inshore divers who were not regulated in the past.

"This law is now clear in requiring a wide range of equipment to be used in diving operations and covering its regular inspection and testing. This particularly applies to lifting gear used with diving bells," the official added.

The rules also demand that diving bells be fixed with a method of heating and lighting, and of locating the vessel quickly if it should become severed from its mother ship. They lay great emphasis on the quality of diving supervision.

The official said that if the regulations began in force when the accident on the Thistle field happened, the outcome might have been different.

"Since the Infabco case, safety records in the North Sea have improved; for the 1,500 divers working there."

£700,000 divorce award not excessive, judges say

Mrs Pauline Preston, a former model who lived frugally to help her husband build up a £2.5m business, can keep her £700,000 divorce settlement, a record sum awarded by a High Court judge last year.

The Court of Appeal ruled yesterday that the award to Mrs Preston was not excessive and dismissed an appeal by her former husband, Mr Morris Preston, a Channel Islands hotelier.

Mr Justice Evershed, sitting in the Family Division last November, awarded Mrs Preston a lump sum of £600,000 and ruled that she was entitled to the £100,000 "foreign" matrimonial home in South View Road, Pinner Hill, London.

Mr Preston claimed the award was too high and asked for the lump sum to be cut to about £250,000.

Lord Justice Ormrod and Mr Justice Hoggins ruled yesterday that Mrs Preston was entitled to keep the £700,000. Lord Justice Brandon said he

thought a £400,000 lump sum would be sufficient to enable Mrs Preston to match the sumptuous life-style of Mr Preston and his second wife and added that £600,000 was plainly much too high.

Lord Justice Ormrod said he would not have awarded as much as £600,000, but he could not say that the award was "plainly wrong."

Mr and Mrs Preston married a few weeks after they met in 1954. Mrs Preston continued to work as a model while her husband was entirely preoccupied with his business activities and saw little of her or their children.

In 1977, Mr Preston set up home in Jersey and later Mrs Preston divorced him because of his adultery.

Mr Preston had assets of £2.3m, including three hotels in Jersey. He drew a salary of £44,000 a year.

Law report, page 28

The post code breakers

By Robin Young

Every year more than 100 million letters and postcards are wrongly or badly addressed. The Post Office manages to deliver four-fifths of them, but it costs £8m a year to do so and provides a full-time occupation for 1,000 decipherers and decoders.

Mr Brian Evans, head of inland mail, predicted yesterday that holidaymakers will forget to address 100,000 postcards this year.

Once the Post Office managed to deliver an unaddressed postcard - which started "Dear Edna, Nick and family" was signed "Bren and Andria" - and was posted in Jersey with other cards for the Bolton area. But the odds remain 99,999 to one against.

Fifteen thousand reels of holidaymakers' envelopes are also destined to end up in the seven returned-letter branches of the Post Office. The branches reckon to have received everything that could possibly be consigned to the post, from legal documents and valuable jewellery to Christmas presents and bulky machinery.

Among the items Mr George Burridge, of the Portsmouth returned-letter branch displayed in London yesterday were a garden fork and spade, an electric wall heater and a metal detector.

Mr Burridge's Portsmouth office receives 14,000 birthday and Christmas cards each year, all intended for other people, and enclosing about £66,000 in cash. If not claimed the money goes into Post Office funds.

Nine tenths of the wrongly addressed mail is sent out by businesses, often using outdated mailing lists. Solicitors are said to be among the worst offenders.

"For the most part it is sheer carelessness," Mr Evans said. Human forgetfulness seems incorrigible. One of the postcards on display yesterday was from a holidaymaker to his neighbours saying he had forgotten to turn off the gas, but also forgot to write an address.

FATAL CRASH AFTER HEART ATTACK

The driver of a car involved in a crash in which four people died had had a heart attack, an inquest in Birmingham was told yesterday.

Inspector James Wilson said the car driven by Mr William Kenrick, aged 72, crossed into the opposite lanes of the Aston Expressway in Birmingham and collided with a car driven by Mr Christodoulos Demetriou.

Mr Demetriou, aged 63, and his wife, Ivy, of Tamworth, Staffordshire, and Mr Kenrick's daughter, Mrs Judith Newcomer of Stow-on-the-Wold, Gloucestershire were killed in the crash. Mr Kenrick, of Harborne, Birmingham, died in hospital the following day. A post-mortem examination showed he had had a heart attack. The inquest was adjourned to a date to be fixed.

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Legislation expected to put ceiling on rate rises

By Christopher Waxman, Local Government Correspondent

The Cabinet is expected to approve today proposed legislation to control local authority rate increases, a move that will bring closer the control between central and local government that is fast becoming inevitable.

There is little doubt that if the legislation goes ahead, with its emphasis on putting a ceiling on rate increases, it will signal the end of independent local government.

The government plan is to introduce a Bill in the autumn, early in the parliamentary session, and to see it on to the statute book in time to catch the rates to be levied from April, 1982.

The main proposal is a limit, to be decided by the government, on increases in industrial and commercial rates. This is in response to growing protest from the non-domestic sector, supported by the Confederation of British Industry, against ever-increasing rates although they have no vote in local affairs.

Such a move will throw the burden of rate increases further on to domestic ratepayers, and although the Government's long-term aim is to abolish domestic rates, interim measures will have to be taken.

To curb domestic rate increases, which in some cases were above 10 per cent this year, Mr Michael Heseltine, Secretary of State for the Environment, proposes a referendum system, under which a council would be required to seek the electors' approval before a supplementary rate could be levied. In addition he wants to put a ceiling on domestic rate increases.

Mr Heseltine decided to seek

control of rate increases after repeated warnings to local authorities to achieve government targets failed to win the response hoped for. Last year the local government overspent by between £50m and £250m, and this year the first indications show a possible overspending of £800m.

When he called for revised budgets early this month, he threatened to withhold a grant unless savings were made.

For years local authority leaders have protested against successive governments' continuing controls over councils, and voiced fears that further controls would mean "the end of local government as we know it." Now the Government has finally agreed, and Mr Tom King, Minister for Local Government, told a conference recently that this was indeed likely if local authorities failed to maintain the traditional co-operation.

A Bill before Parliament, the Local Government (Miscellaneous Provisions) (Scotland) Bill, provides an example, if not the model, for the proposed legislation.

Scottish authorities do not have the power anyway to impose supplementary rates, but the Bill enables the Secretary of State for Scotland to control the spending of each authority.

Commenting on the Bill, Mr Jack Smart, chairman of the Association of Metropolitan Authorities, said the introduction of the Scottish provisions in a referendum at the end of local democracy and result in local authorities becoming merely administrative outposts of Whitehall.

Labour council to leave counties association

By Our Local Government Correspondent

A Labour-controlled county council yesterday said it is leaving the Association of County Councils because it had failed to resist strongly enough the Government's measures to control local spending.

Mr David Bookbinder, leader of Derbyshire County Council, which Labour won in the May elections, told the first meeting of the new association in London that Derbyshire would no longer continue in membership.

The council's decision reflects the unease within the association about its effectiveness in fighting for local government first and putting its loyalty to the Conservative Government second.

It is understood that other authorities are contemplating withdrawal, and Labour councils have been considering the feasibility of setting up an association of Labour councils.

Conservative authorities, too, are concerned. A group of them met on the eve of the meeting to discuss ways of opposing government policy, and the Government was sufficiently worried at that sign of revolt to have Mr Michael Heseltine, Secretary of State for the Environment, and Mr Tom King, Minister for Local Government, attend the meeting to defend the Government's actions.

A leading figure in the association, Lieutenant-Colonel W. A. McLellan, chairman of Gloucestershire County Council, sent to all Conservative members on the association's execu-

tive council a memorandum that is strongly critical of the Government.

He said that many members had given warning and continued to do so that the block grant system was the beginning of the end of local democracy. One that they feel that our political leaders sold us down the river."

Col McLellan declared that the course of action being taken by Mr Heseltine "can only lead to a set-up for local government, akin to regional and district health authorities."

"This process will probably be hastened by the abolition of domestic rates, aided perhaps by limiting rate increases levied on business premises," he said. This assault on local government is a matter which concerns all those who value it, irrespective of party, and must be vigorously opposed by all the local authority associations.

The association then proceeded to divide on party lines on a motion put forward by Mr Denis Pettit, leader of Labour-controlled Nottinghamshire County Council, that the association should make the strongest possible protest to the Government against "the continued attacks on the principles of local democracy embodied in the Government's efforts to dictate local government spending levels."

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Censorship dispute over race report on schools

By Diana Geddes, Education Correspondent

A dispute has arisen over another controversial report on the education of ethnic minorities. The five authors of a report, published yesterday, giving the findings of a four-year Schools Council research project on multiracial education, claim that it has been "bowdlerized" and have dissociated themselves from it.

Almost all of the first five chapters of their original report, which was submitted to the Schools Council three years ago, has been deleted. Those chapters included detailed examples of the attitude of white children and teachers to children of ethnic minorities, almost all of which were negative, if not openly hostile.

A child from an all-white area on a visit to the seaside in a multiracial area in Britain was quoted as saying to her friend: "I don't like those Samboes on the beach; they dirty it up."

A 10-year-old from another all-white school wrote: "Black people should not be allowed in England because they are meant for whites. England is nearly full of black people. They should be thrown out." A 10-year-old at a school in the North of England wrote: "We think of Pakistanis as black gerry people. This is not true. They have funny spots, but not gerry. But if they were in

their own country, many would die of an illness and some would die in the war... I don't think they should be sent back to their own country."

Teachers were found to be resistant to the idea of introducing a multiracial element into the curriculum.

Those in predominantly white areas considered that it would not be "relevant" for their pupils, while teachers in multiracial areas particularly those in primary schools, thought that it was better not to make explicit references to race for fear of "stirring things up."

The deleted part of the report also referred to black children's attitudes towards themselves. It comments on a black girl in her first term at infant school who was found scrubbing her hands almost raw in an attempt to get the colour off.

The authors maintain that that introductory section was essential in order to set the context for their proposals for a multiracial curriculum in the second section of the report.

However, the Schools Council, a large proportion of whose representatives are teachers, objected to the introductory section on the grounds that it was too anecdotal and gave a distorted view of race relations in schools.

Archbishop criticizes religious teaching

By Frances Gibb

Traditional notions of teaching Christianity and the daily formal act of worship in schools were attacked by the Archbishop of Canterbury, Dr Robert Runcie, yesterday.

He told a Commons select committee on education, science and the arts that the daily worship, as required under the Education Act, 1944, was largely ignored and often, artificially contrived.

As with religious broadcasting, he favoured going for "less, but better".

MPs should consider when making their recommendations the value of flexibility and the complementary nature of the small religious group and the formal ceremonial occasion.

There were cases where schools needed an act of worship, and for pupils to "rise up into some experience carefully planned", Dr Runcie said. But there should also be small group experiences of prayer or silence, or, as in the heyday of Victorian Sunday schools, sacred music.

As for the teaching of religion in schools in general, he said: "The old adage that education is taught and not taught remains true."

There was a difference between giving people experiences of religion, and giving them a perspective of a Christian character, and giving "the impression that we live in a world where there are some people who know, and they impart knowledge about us and reality into those who do not know."

The business of Christian educationists was to give a fair presentation of the Christian tradition together with an experience of what it means to be a Christian, he said. "I want that to go on in schools according to the Education Act."

Dr Runcie told the committee, which under Mr Christopher Price, Labour MP for West, is examining the school curriculum, that he was not in favour of a completely new Education Act.

Religious instruction should still be compulsory in schools, he said, but it should be subject to religious education. Dr Runcie said: "But we would prefer the wording in the Act to be changed to religious education."

In answer to a question about what the Church planned to do to put its message across more strongly, Dr Runcie said there were plenty of ways of putting across Christianity other than verbally. At present we were stuck in a sort of "verbal ice age" and other ways of communicating such as through dance and music, were more difficult to make acceptable.

Archbishops answer back, page 16



The school outing bus after its roof was ripped off in the crash.

Children escape as bus hits bridge

Sixty-two schoolchildren escaped serious injury at lunchtime yesterday when the roof was ripped from a double-deck bus which hit a railway bridge.

The children, from Cockington primary school, Torquay, who were on their way to an area sports day, were taken to Torbay Hospital in a fleet of ambulances, but went home after treatment.

Mr Rick Hartnell, a spokesman for Western National, the bus company, said

Old Mill Lane, Torquay, where the crash happened, was a recognized route, but not for double-deck buses.

Mr William Bowker, a teacher accompanying the children on the upper deck, almost certainly saved them from serious injury. Mr Owen Smith, the headmaster, said that when Mr Bowker realized what was going to happen he shouted to the children to get down. "They managed to take cover and avoid worse injuries," Mr Smith said.

Prince against arming police

The Prince of Wales yesterday said he hoped Britain's police would long remain unarmed.

He was speaking after opening a court building in Solihull, West Midlands, less than a fortnight after blanks were fired near the Queen during Trooping the Colour.

He said: "Long may it last in this country that we have a police force that is not armed. It is a splendid and friendly way of doing it."

"Having been to many other countries, I don't think we do too badly, and every time I come back, I thank God I am British."

The Prince was presented with a rosewood table as a wedding present, and said he was sure Lady Diana Spencer would be pleased with it.

He added: "I am sorry it was not possible for my fiancée to be here today. It is not really all that easy for her to do everything that I do at this particular point in time. Otherwise, I think she would drop from sheer exhaustion before the wedding."

The Prince and Lady Diana, the palace and of Prince and Princess Michael of Kent, the Duke and Duchess of Gloucester, and Princess Alice Duchess of Gloucester.

Buckingham Palace said the couple would move into apartments eight and nine at the palace, which have not been lived in since being damaged by a bomb during the last war.

Restoration started on that section of the palace nearly six years ago when it was decided that further delay would harm undamaged parts of the building.

Their new home will be in addition to Highgrove, the 350-acre country estate in Gloucestershire bought by Prince Charles last year for slightly less than £1m.

The apartments, which should be completed by the end of the year, have been made into a single flat on three floors containing three to four reception rooms, a dining room, a master bedroom suite, two guest bedrooms, a nursery suite and rooms for staff.

The structural costs will be met by the Department of the Environment. All other internal costs will be paid for by the Prince.

The couple will become neighbours of Princess Margaret, who lives in the main part of the palace, and of Prince and Princess Michael of Kent, the Duke and Duchess of Gloucester, and Princess Alice Duchess of Gloucester.

Westminster City Council has said it will not pay for decorations around Trafalgar Square and up the Strand. Instead, an association of businesses is paying for the 126 banners.

Crisis blamed on comprehensives

By Our Education Correspondent

The "wholesale comprehensiveization" of secondary schools is blamed for the alleged crisis in sixth forms in a report published yesterday by the right-wing Centre for Policy Studies.

Mr Fred Naylor, author of the report, said he did not mean to attack comprehensive schools as such, but he believed they were too small to support a viable sixth form. A third of schools had fewer than 50 pupils in their sixth form, and a further third had fewer than 100.

It had been demonstrated that a three-form entry grammar school of about 500 pupils was just capable of producing a viable sixth form. Given that grammar schools took roughly the top 20 per cent of the ability range, a comprehensive school would need to have at least 15 forms of entry or well over 2,000 pupils in order to produce the same size of sixth form, he argued.

In fact, the average comprehensive school contained fewer than 1,000 pupils.

Mr Naylor used to be headmaster of a secondary technical school in Bath until it was turned into a comprehensive 13 years ago. He is now a lecturer in education at Bath College of Higher Education and a member of the education study

group of the Centre for Policy Studies.

In his report, Mr Naylor argues that comprehensives are less successful than the former selective school system in producing academic sixth formers.

The upward movement through the 1960s in the proportion of all school-leavers with two or more A levels had "ground to a shuddering and unexpected halt in 1971", he said.

The upward statistics show that the proportion of pupils in comprehensive schools rose from about 5 per cent in 1962 to 31 per cent in 1970 and 58 per cent in 1980.

Mr Naylor pointed out that the Department of Education and Science had predicted in 1970 that by 1976 there would be 125,000 school-leavers with two or more A levels, a projected increase of 63 per cent. In fact, there were only half that number.

There are now some 100 secondary colleges in England and Wales catering for about 50,000 pupils. Five local authorities no longer have any school sixth forms at all. Manchester is now awaiting the Government's decision on its plans to abolish all its sixth forms in favour of separate sixth-form colleges.

Mr Naylor recommended that where viable sixth forms

did exist, in comprehensives or in grammar schools, they should be preserved.

Forms were not viable, schools should consider sharing sixth-form facilities, or pupils from neighbouring schools should be transferred to a "nursery" sixth form in one of the schools. (However, that would leave some schools without a sixth form, and most of Mr Naylor's arguments against sixth-form colleges arguments would presumably apply equally to the nursery schools.)

Crisis in the sixth form, by Fred Naylor, (Centre for Policy Studies, 8 Wilfred Street, London SW1E 8PL, £2).

Town to lose its sixth forms

The Government has approved proposals of the new Labour majority in Bolton to abolish the city's six remaining grammar schools and to remove all sixth forms in county schools.

The grammar schools, together with the 12 remaining secondary modern schools, will be replaced by eight comprehensive schools for pupils up to the age of 16 and two sixth-form colleges. That leaves the city, with only one school sixth form, in a Church of England comprehensive school.

Nott to announce his defence cuts today

By Henry Stanhope, Defence Correspondent

Mr John Nott, Secretary of State for Defence, will today reveal the conclusions of his review of the defence of the British Army of the Rhine (BAOR) is politically the most sensitive.

Militarily, it is arguably the most sensitive of all. The maritime lobby points out that although the commitment costs only an estimated 23 per cent of the defence budget, it provides 70 per cent of allied forces in the Eastern Atlantic and Channel areas. If the commitment were halved to save money, it would save only 11 per cent of the budget but would reduce NATO's presence by 35 per cent.

Freedom to use the Atlantic is vital to NATO because the ocean acts as a kind of grand canal, along which pass oil and other raw materials and because American ships and submarines need to use the Atlantic to reinforce Western Europe.

A series of recent meetings between Mrs Margaret Thatcher, Mr John Nott, Secretary of State for Defence, and Conservative backbench MPs have given the Government a good chance of riding any parliamentary storm arising from today's announcement of the defence review.

Mrs Thatcher and Mr Nott saw the executive of the 1922 Committee and members of both the Conservative parliamentary defence and foreign affairs committees.

Lord Carrington, Foreign Secretary, the protector of the

counter argument is that given the destructiveness of modern firepower, the next war would be over long before relatively slow-moving NATO forces were able to exercise much influence.

This year's Defence White Paper showed that in wartime NATO would depend upon a minimum of 1,000 merchant ships and 500 military supply vessels crossing the Atlantic.

Warsaw Pact navies are usually thought to have an advantage of about a third over NATO in deployable surface ships and about 50 per cent in submarines.

The threat to shipping in the Atlantic is posed not so much by the Soviet Northern Fleet which according to the International Institute for Strategic Studies in the current edition of *The Military Balance*, has 130 submarines, 80 major surface warships and 80 destroyers as well as reserve ships.

So far, a Conservative "save defence" lobby before which even the most determined Cabinet would quail.

Mr Anthony Buck, MP for Colchester and chairman of the Conservative defence committee, said: "It is my hope and expectation that there will be nothing such as to cause undue alarm. Naturally, there are individual preferences as to where the emphasis should be put in our defence posture. The party is largely united about the need to keep up our defence posture, a view shared by the Prime Minister."

Another reason why little can be expected by way of serious, protracted resistance is disunity among potential Tory dissenters.

The differences of opinion between the Tory party's defenders of BAOR, supporters of Trident and the nuclear sceptics in the Tory ranks, have militated against the formation

Thatcher's peace mission to MPs

By Peter Hennessy

British Army of the Rhine, was present at some of the meetings to explain why no more than minimal cuts could be made to British field forces in Germany, despite the substantial reductions expected for the Royal Navy.

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The differences of opinion between the Tory party's defenders of BAOR, supporters of Trident and the nuclear sceptics in the Tory ranks, have militated against the formation

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Private heavy vehicle tests are approved

By Michael Bailey, Transport Correspondent

The Government is going ahead with plans to let private companies test heavy lorries and buses despite unanimous opposition from industry, which regards it as a threat to public safety.

Mr Kenneth Clarke, Parliamentary Secretary at the Department of Transport, indicated this in evidence to the Commons Transport Committee yesterday when he denied that handing over the testing stations to private firms would imperil safety by opening the door to bribery and cost-cutting.

About 900 civil servants will lose their jobs in the move, and about £20m will be raised by selling the 91 testing stations to private garage concerns.

Mr Clarke said the main aim

Firm refuses to take worker back

United Biscuits' KP Peanuts factory in Rotherham, South Yorkshire, has refused to reinstate Miss Carol Poulton, aged 32, a shop steward who had appealed successfully to an industrial tribunal against her dismissal.

The tribunal said that her dismissal, after she had thrown her factory's Christmas tree over a wall, was unfair and that she should be reinstated. Miss Poulton said yesterday that she will seek compensation.

£112,500 for fall

Mr Hajjat Khan, aged 45, who must spend the rest of his life in a wheelchair after falling from scaffolding, was awarded £112,500 agreed damages in the civil division at Cardiff Crown Court yesterday. Mr Khan, a father of five children, of Bromley Drive, Cardiff, claimed damages from Alfred Bagnall and Sons, of Shipley, Yorkshire.

Murder charge remand

Philip David Elliot, aged 19, unemployed, of Park Street, Madeley, Shropshire, was remanded in custody until July 2 at Madeley yesterday, charged with the murder of Tracy Suzanne Burton, aged 14, whose naked body was found in the Severn Gorge on Monday.

Moderate to quit

Councillor Fred Balcombe, aged 69, a leading Labour moderate on Manchester City Council, and a former Lord Mayor, said yesterday he would stand for re-election next May because of the growing dominance of "left-wing infiltrators".

MP reselected

Mr Norman Hogg, Labour MP for Dunbartonshire, East, was on Tuesday night re-elected to contest the seat at the next general election by a panel from the constituency general management committee. There were no other nominations.

Tesco fined £5,250

Tesco, the supermarket chain, was fined a total of £5,250 by a magistrates' court at Dudley, West Midlands, yesterday for producing underweight loaves. The company, based at Chestnut, Herefordshire, admitted 21 offences against the Weights and Measures Act.

Rates rise pending

Merseyside County Council will be asked on Tuesday to approve an open recommendation for a supplementary rate to be levied in the autumn. The resolution leaves determination of the actual amount to a policy committee meeting next month.

Science report

A test of a pest to improve crops

By Pearce Wright, Science Editor

Scientists are scouring the British countryside to check whether crops have been infested by an unusual pest. The survey is intended to check the accuracy of forecasts made in February about the amount of damage to be expected this year from the pest and the goal is to protect how much of the country's crops from damage by or through the spread of virus diseases, causing losses of hundreds of millions of pounds.

An insect-borne virus infection of sugar beet alone cost an estimated £12.5m last year. The method of forecasting has been developed by a team working with Professor Michael Way and Mr Michael Cammell, of Imperial College, London.

Their research follows the pattern of the black bean aphid, *Aphis fabae*, an alien candidate for testing predictions of infestation.

Mr Cammell says: "One object is to make control by spraying less of a problem and to make it more of a nuisance. Prediction can save money by avoiding unnecessary spraying which is expensive."

The research is divided between predicting a pest, with scientists of the Ministry of Agriculture, for early warning for 19 regions of the country and to understand the variation in infestation on a field-to-field study.

The unusual characteristics of the black bean aphid in that it overwinters only at the egg stage of development in the spindle tree, *Euonymus europaeus*.

Population sizes of the aphid are calculated by collecting samples of the trees at 10 and 20 wings from spindle trees at 300 sites in the Midlands, East Anglia and the Southern counties.

A decision to spray is taken when the damage to the crop is expected to have 5 per cent of the plants. That level is likely when the number of eggs on the spindle trees exceeds more than one egg to 100 buds.

Difficulty arises because small spindle trees are more at risk than less protected, densely-sown ones on windward plateaus.

There is also a wide variation in the abundance of the host spindle tree between the regions.

From which the pest migrates up to 20 miles to the crops.

However, a contour map is being constructed of spindle trees in southern England, providing a rough guide for forecasting the pest's spread to a certain locality.

The next step is to apply the method to insect plagues of more important crops, particularly cereals, where losses can be catastrophic.

New benefit rules run into snags

By Pat Healy, Social Services Correspondent

A minister has admitted that changes to the supplementary benefit rules, which were intended to simplify the rules run into technical difficulties.

Mrs Lynda Chalker, Parliamentary Secretary for Social Security, concedes the point in a statement issued today in response to a report from one of the organizations commissioned by her department to monitor the effects of the changes.

The report is the second from the Child Poverty Action Group on how the new supplementary benefit regulations, introduced last November, are working in practice. It says that supplementary benefit officers are still so poorly trained in the new rules that claimants are not receiving the benefits they should.

It cites as one example a spina bifida patient suffering from double incontinence who was refused extra allowances for cover of his daily bath although the regulations state that money should be paid for baths needed on medical grounds.

The report also identifies a number of anomalies in the regulations, including some that debar homeless people from help with furniture costs when they move to a new home unless they already have furniture.

It also says that the new rules are working well and that the introduction of amendments in respect of technical difficulties, some of which are identified in the new scheme began, there was extensive staff training which is being backed up by further training where necessary, the says.

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Every different number printed in the grid represents a different letter (the same number always representing the same letter, of course). For example, if number 11 turns out to be a D, you write in D whenever a square contains 11. Four squares have been filled in to give you a start.

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23	12	4	20	24	5	21	10	22	1
2	22	2	2	2	2	2	2	2	2
23	22	2	2	7	4	1	26	5	26
2	2	1	1	13	3	2	2	2	2
19	10	26	26	2	2	7	5	22	5
26	9	10	23	10	22	5	14	2	26
24	2	26	21	2	22	2	26	1	13
10	22	5	26	10	22	7	10	8	2
19	26	11	1	2	25	11	2	2	2
16	13	26	26	2	8	5	21	10	3
2	10	5	3	10	1	2	19	13	3
14	2	10	23	5	8	4	22	13	2

8 10 22 23 4 22 13 1 10 8 23 5 13 22

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Hambro Life Assurance Ltd	Standard Life Assurance Company
Hill Samuel Life Assurance Ltd	Sun Alliance and London Assurance Company Ltd
Hodge Life Assurance Company Ltd	Sun Life Assurance Company of Canada
Ideal Insurance Company Ltd	Sun Life Assurance Society Ltd
Imperial Life Assurance Company of Canada	Swiss Life Insurance and Pension Company
Independent Order of Foresters (United Kingdom)	Swiss Reinsurance Company (UK) Ltd
Langham Life Assurance Company Ltd	Teachers' Assurance Company Ltd
Legal and General Assurance Society Ltd	TSB Trust Company Ltd
Life Association of Scotland Ltd	Tyndall Assurance Ltd
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Unity appeal by Mitterrand to new Cabinet

From Charles Hargrove, Paris, June 24

For a basically conservative country which is widely believed to dislike change, the rhythm and scope of it have been bewildering. It is like a 1968 which has come off.

In the past couple of months, French political society has undergone a radical transformation. The "old regime", as M. Lionel Jospin, the first secretary of the Socialist Party, said on the night of the election last Sunday, has been swept away.

Even President Mitterrand, as one commentator said today, must be rubbing his eyes and wondering at times whether it is not just a dream.

He has been doggedly working for 26 years for this "union of the popular forces" as he put it today, when all 44 new ministers and state secretaries, one more than in the previous Mauroy Government, were gathered around him for the first meeting of the new Cabinet.

M. Charles Witeman, the number two of the Communist Party, and Minister of State for Transport, the third in the government hierarchy, was in a place of honour on his left.

"We had the impression of living a great moment of history," M. Mitterrand said after the meeting to the horde of reporters and cameramen milling about in the courtyard outside. "We are with the majority the bearers of a great hope."

In a speech of welcome to the six new ministers of the Communist Party, M. Mitterrand declared: "This Government is a government of union. It takes into account the vast gathering of popular forces, of the forces of youth and labour, which took place first in the presidential election, and then in the parliamentary one."

"The support of a broad majority of our people for the policy I have defined is a guarantee of success. It is the Government's duty and solidarity to achieve the reforms the country expects."

"The hope of our people is immense, and our responsibility historic. I hope and shall do all I can towards this that French men and women will have it in their hearts to gather always more numerous around the new, ambitious and generous policy which universal suffrage has endorsed on May 10 and June 3."

For the benefit of the Communist ministers, M. Pierre

Mauroy, the Prime Minister, in turn reminded his colleagues of their individual and collective responsibility, and emphasized the obligation of solidarity to which they had subscribed.

It will certainly be needed to get through without too many hitches the ambitious legislative programme in the first session of the new Parliament which opens on July 2.

The supplementary budget and Bills on a new amnesty, on the suppression of the Court for State Security, and on decentralization to loosen the administrative stranglehold of Paris on the regions, must be adopted then. If necessary, the ordinary fortnightly session will be prolonged to the beginning of August.

The Communist ministers stole the limelight at the Cabinet meeting for which, in their ordinary fortnightly session, they were the first to report. The two non-Communist newcomers, M. Robert Badinter, a lawyer and dedicated abolitionist of the death penalty, who has become Minister of Justice, and M. Pierre Dreyfus, the successful president and managing director of the Renault national car company, who is the new Minister for Industry, but no enthusiast for nationalization, scarcely received any attention from reporters.

The addition of M. Dreyfus consolidates the phalanx of moderate ministers in the key departments of Defence, Finance, Education, and Foreign Affairs. Their presence in the Government is doubtless designed by President Mitterrand to compensate for the anxiety caused by the appointment of Communist ministers. Appointing Communist ministers is a tremendous political gamble, which General de Gaulle felt he could not avoid in his first Government in 1944, but which M. Mitterrand has deliberately taken on.

The adverse reactions abroad are what most commentators underline in the French press today. M. Mitterrand, they say, can have no illusions about the sincerity of the wholesale conversion of the Communists to the Socialist line.

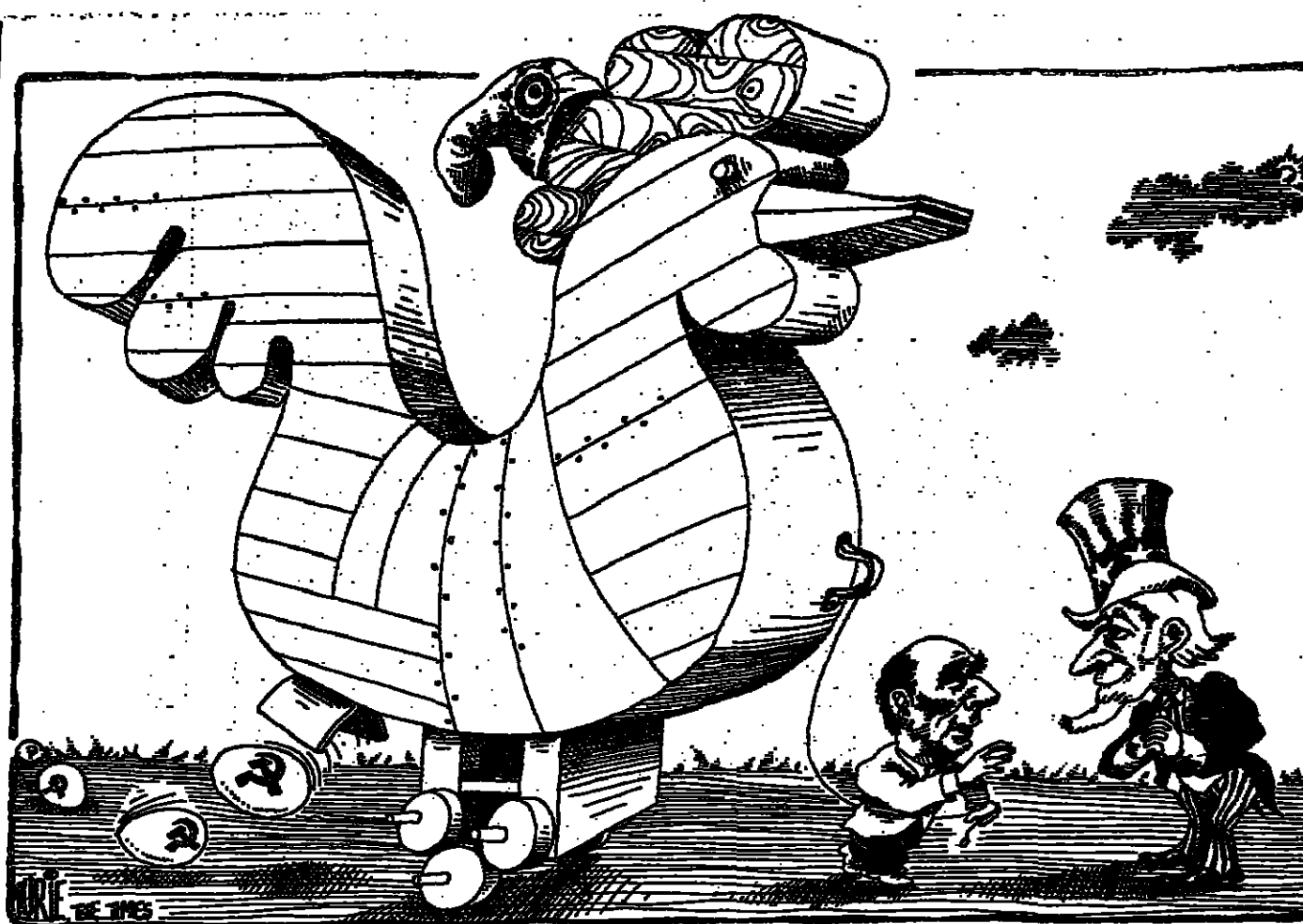
"The only thing on which the Communist Party refused to give way in its negotiations with the Socialist Party was the appointment of a Socialist at the head of the Communist Party."

Britain fears appointments will undermine the Ten

From Michael Hornsby, Luxembourg, June 24

The appointment of four communists to ministerial posts in the new socialist Government in France is viewed with deep misgivings by Britain, which fears that it could undermine the EEC's efforts to forge a common approach with the United States to international issues.

Although this concern is unlikely to be expressed publicly, Lord Carrington, the Foreign Secretary, is known to feel that an communist presence, even in fairly minor positions, is likely to make the Americans less willing to share their views candidly with the Ten on foreign policy and security matters.



'May I introduce my new Cabinet?'

Main points of left-wing accord

Communists pledge absolute solidarity

From Our Own Correspondent, Paris, June 24

The following are extracts of the main points of the agreement reached between the French Socialist and Communist Parties on cooperation in President Mitterrand's Government:

Conscious of the duties which are dictated to them by the situation, the two parties declare that they are determined to promote the new policy chosen by French men and women in electing Francois Mitterrand to the presidency of the Republic. They will do so in the National Assembly, in the framework of the majority which has just been created; they will do it in the Government with absolute solidarity. They will do it in the local and regional authorities, and in firms, while respecting the specific functions of the institutions and the parties.

The policy of change which is already under way through the first government measures will continue. The undertakings given will be honoured. This change will, in particular, involve new measures of social justice and the increase of the earnings of the most underprivileged, which will be adopted in coming months.

It will be carried out by stages, according to a rhythm of transformation, which take into account the situation of crisis, arising from the fact that the economy of France is open to the outside world, and the necessary economic and financial equilibria.

In the same spirit, the two parties consider that, at the close of the current negotiations between trade unions and employers, legislation on the reduction in working hours should be prepared without delay.

The two parties consider that the extension of the public sector will be a guarantee of the effectiveness and of the democratization of state planning. They declare that they are in agreement that the organization of the public sector should be carried out in accordance with the proposals ratified (by the voters) on May 10.

In the present situation of the country, the two parties consider necessary the setting up of a plan of recovery of two years which will create the conditions of a new economic growth and an effective battle against unemployment.

They will support a policy of reducing social inequalities.

The two parties will support the international action of France—while respecting its alliances—for peace and progressive disarmament in view of the simultaneous dissolution of military blocks, by ensuring the balance of forces in Europe and in the world, and the security of each country. In this context, they are in favour of an early start to international negotiations on the reduction of armaments in Europe. These negotiations must deal notably with the presence of Soviet SS20 missiles and with the decision to locate American Pershing II missiles.

The two parties will act in order to ensure the respect of the right of peoples to self-determination, of the sovereignty of states, of non-interference in their internal affairs, and for the right of each country to security.

By virtue of these principles, they affirm the right of the Afghan people to choose their own regime and government, and are in favour of the withdrawal of Soviet

troops from Afghanistan and the cessation of all foreign interference. Taking note of the situation created by the Camp David agreements, they reaffirm the right of Israel to existence and security, and of all the states in the area, as well as the right of the Palestinians to a homeland.

The two parties will support actively the participation of France in the EEC. In its institutions and its common policies, while respecting France's freedom of action and legitimate interests.

The two parties have discussed the evolution of the situation in Poland, and wish that this country and its people should conduct themselves to a successful conclusion of the process of economic, social, and democratic renewal on which they have embarked.

They express, both in economic and political matters, their solidarity with the peoples of the Third World which, as in El Salvador and Nicaragua, fight for their national emancipation, their development and their democratic and social liberation.

leading article, page 17

PROFESSOR ACCUSED OF PLOT

Manila, June 24.—A university professor has been charged with leading a terrorist group which plotted to assassinate President Ferdinand Marcos of the Philippines.

Mr. Ali Macaraya, aged 27, an engineering professor at Ateneo University in Manila, was arrested in the southern province of Lanao del Sur.

A Government report said that Macaraya told investigators that he was one of 13 leaders of a terrorist group calling itself Hardcore, UPI.

Breathing space for Schmidt

Some of the troubles besetting Herr Helmut Schmidt, the Chancellor, and his Social Democratic Party have subsided, at least temporarily, after the approval by the Hamburg Senate of Herr Klaus von Dohnanyi, as the new mayor.

The appointment of Herr von Dohnanyi, the former Minister of the Interior, was accompanied by an agreement to freeze the Hamburg SPD's internal disputes over nuclear energy, thus sparing the party further demoralization for a few months.

The election strengthened the impression that the party was coping with internal division. A week earlier, Herr Helmut Schmidt, the Chancellor, had been forced to resign, and the Social Democratic Party had lost its majority in the Bundestag.

The Chancellor has appeared in excellent form during recent appearances after a phase of several months when he seemed to be in a decline.

But confident assertions of party leaders that the SPD is getting on top of its problems are likely to prove, like previous such declarations, a sort of over-optimism. The recent agreements have not eliminated the underlying problems, the growing dissent in the party, particularly over nuclear missiles and nuclear energy remains, and it faces a severe test during negotiations over cuts in Government spending next month.

Europe MPs climb down in working place dispute

By David Wood

The European Parliament's latest attempt to the Council of Ministers a year ago demanding by this month one instead of three official working places, begins to collapse in parishes. The Parliament's political affairs committee composed of eight MPs, has decided that in Strasbourg next month they should recommend two official working places—Strasbourg for plenary sessions and Brussels for committees.

That decision was reached yesterday by 15 votes against 13, with two abstentions. It means that the showdown predicted with the Council of Ministers in July will not carry so much weight as expected.

National governments of the Ten at the summit meeting in Maastricht dismissed the Parliament's ultimatum in a five-minute discussion that ended in agreement that the status quo on parliamentary working places should be preserved—Strasbourg, Brussels and Luxembourg.

Mr. James Scott-Hopkins, the leader of the Anglo-Danish Conservative Group, exploded yesterday. He said: "The political affairs committee has abdicated its responsibility to decide on a single meeting place for the Parliament. The committee's proposal to continue to work simultaneously in Strasbourg and Brussels would mean that the gross inefficiency and cost of parliamentarism would go on as before, and that our absurdly unproductive working conditions would be unchanged."

Hardly less serious, Parliament's staff would remain as confused as ever about their future. The European Democratic Group believes that the committee's resolution is not only cowardly but totally contradictory.

At the Parliament's July session in Strasbourg Mr. James will call for a secret ballot of all MPs to choose a single working place, to save millions of pounds and to promote parliamentary efficiency.

China ousts Pope's man

Peking, June 24.—Bishop Dominic Yiming Tang, who was named by the Pope as the Vatican's Archbishop in Canton, has been removed from his position by the Chinese Government. The Chinese news agency said today.

The step, taken by the Canton Patriotic Catholic Association and the Canton diocese, was a signal to Mr. Tang not to return to China from Hong Kong.

Mr. Tang, who is 73, was released from a Chinese prison last year and went to Hong Kong for medical treatment earlier this year. After the Pope's appeal to Chinese Catholics to return to the Vatican, Mr. Tang went to Rome to meet Pope John Paul.

The Chinese Church, however, which does not recognize the Vatican's authority, opposed the appointment of Mr. Tang as Archbishop of Canton.—UPI

All work and little play make Japanese neurotic

From Peter Hazlehurst, Tokyo, June 24

For three decades Japan's disciplined and industrious workforce has been a driving force behind the country's phenomenal rise as the world's second economic power.

Today, as Japan enters the eighties untroubled by widespread industrial unrest, managers can still rely on employees who put the future of their companies above short-term personal gain. Surveys indicate that only 20 per cent of the workers take their full quota of annual paid holidays.

But sociologists and economists are now becoming alarmed at signs that hard work and very little play are turning many workers into neurotic and unstable employees.

A survey by the Japan Productivity Centre, which investigated the lives of 12,000 workers, indicated that nearly one out of ten employees, has had a mental breakdown or is suffering from some form of neurosis.

At the same time an independent investigation by the Osaka Public Sanitation Institute reports that one out of ten workers belonging to the city's large corporations uses tranquilizers every day.

"This situation poses a grave problem for society and cannot be ignored," the respected Japan Productivity Centre said recently.

Economists and industrialists also believe that the structure of the workforce will be further undermined by a rapidly aging population during the next two decades.

A report by the Employment Research Council predicts that by the turn of the century more than 25 per cent of the workforce will be more than 55 years of age.

"As a consequence the Government should take steps to ensure that the traditional age of retirement should be extended to the present level of 55 years, at least in the future," the council said.

More important, recent surveys indicate that the lack of leisure, rapid rationalization of industry and pressures on the average worker could undermine the country's enviable high rate of productivity.

According to the Productivity Centre, pressure of work was responsible for the suicides of 340 managers last year. "And the incidence of this form of suicide is on the increase," the Yomiuri Shimbun, the country's largest newspaper, said today.

Investigations by research teams suggest that the high rate of suicide among managers can be attributed, among other factors, to rapid change in the traditional system of linking promotion to seniority.

"The typical employee and manager will have to fight for promotion in future instead of going on the ladder automatically according to his seniority," a report by the National Personnel Authority says.

The growing incidence of mental illness among workers can also be attributed to the rapid technological changes in a country which now employs 80 per cent of the world's advanced industrial robots. The Yomiuri Shimbun suggests that many workers who have succumbed to mental breakdowns have been unable to cope with technical changes because they are unaccustomed to having more time for leisure.

The Productivity Centre suggests that the threat of mental disease can be reduced by ensuring that the right person is put into the right job at an early stage after industry is rationalized.

Rajai favoured for Iran presidency

From Tony Allaway, Tehran, June 24

Mr. Muhammad Ali Rajai, the Prime Minister of Iran emerged as the most likely successor to Mr. Bani-Sadr as President.

The Presidential Council has lost no time in arranging fresh elections for the post. At its meeting last night it was decided that elections should be held on July 24—well within the 50-day limit set by the constitution.

But there was more than one hint that, for all intents and purposes, the election would be a one-horse race and that Mr. Rajai would be the man designated to cross the finish line.

Mr. Rajai has already talked to a local journalist along the lines of "if the people want me."

Rather than the people, however, it is the all-powerful Islamic Revolutionary Guard, with undoubtedly take the decision. Its leader, Ayatollah Ruhollah Khomeini, who sits with Mr. Rajai on the three-man Presidential Council, told a press conference: "All Islamic societies and groups will introduce one (joint) candidate for this position."

Asked if Mr. Rajai would be a candidate, he replied: "Yes, it is possible." The Ayatollah indicated that neither he, nor other clergymen would be chosen.

And the Presidential Council last night took steps that effectively allow Mr. Rajai to be groomed for the post. He was given responsibility for the Presidential office and was also given one of the main tasks of a president—signing Parliamentary legislation into law.

Mr. Rajai, a former high school lecturer and inmate of the Shah's prisons became the first Prime Minister of the new republic in 1979. He has since become the effective head of the Supreme Defence Council after the dismissal of Mr. Bani-Sadr.

The purely ceremonial role to which the presidency was reduced in the political battle between Mr. Bani-Sadr and Mr. Rajai. It is widely argued that he is in a sense a ceremonial figure in his present position.

While the search continued today for the former President, now a fugitive, five more people were executed for the violence that struck the country last Saturday. Four of the executions in Tabriz and the southern port of Bandar Abbas, were the first to be reported from the provinces.

In Tehran the fifth victim was said to have been a member of the outlawed Mujahedin Khalq guerrilla organization.

Four others, also executed in Tehran last night, confirmed a trend that has emerged this week—they were accused of collaboration with Israel, international Zionism and the officially reviled Bahai faith which the authorities here now described as the subversive sect.

□ Vienna: The Iranian ambassador to Austria said today that he has resigned in protest against actions of his Government, which he said were unconstitutional and against the principles of Islam (Reuters service).

□ Muhammad Abed-Naghd, said in a statement that Islam was being used as an excuse for undemocratic power politics in Iran.

He expressed surprise that the West initially critical of events in Iran, was now ignoring what he called the Fascist tendencies there.

Dissidents removed by union

Warsaw, June 24.—The Solidarity trade union has begun to moderate some of its more radical publications by removing dissidents from editorial jobs and toning down political comment, an official of the Warsaw branch said today.

The moves coincided with renewed complaints from Polish hardliners and critics in the Eastern block that the country's leaders had failed to suppress anarchy and counter-revolution.

Mr. Marek Kar, of Solidarity's Warsaw Information service, gave examples of cases in which the union, under what he called pressure from workers, had taken steps to make local publications look more like trade union bulletins than dissident manifestos.

He said the union's branch in Tarnow had dissociated itself from a dissident publication, *Wielomiejscowa*, and the Torun branch had suspended the pro-dissident editor of its newspaper *Wolne Slovo*.

The editorial board was suspended from Lublin's *Buletyn Informacyjny* and there had been editorial changes in a similar publication at the Krakow polytechnic.

Mr. Kar added that Warsaw's news bulletins had stopped reporting dissident activities in the Soviet block. The distinction between union and dissident publications was becoming sharper every day, he said.

The Solidarity branch in Tarnow ran into difficulties with the local authorities over its association with *Wielomiejscowa*, which was informally a publication of the dissident Self-Defence Committee (KOR).

KOR was established to defend workers victimized after strikes in the city of Radom in 1976, and played a key role in the establishment of Solidarity last summer, but has since scaled down its activities.

Solidarity has also drawn away from its former dissident and allies. Mr. Lech Walesa, the union's leader, has travelled the country calling for moderation. His campaign came after a stern warning from Moscow earlier this month and placated by the authorities to crack down on what they have described as a wave of anti-Sovietism and anti-communism.

Comecon to assess Polish crisis

From Dossa Trevisan, Warsaw, June 24

The effects of the Polish crisis on the economies of its allies will be discussed at the Comecon summit which is scheduled to open in Sofia, the Bulgarian capital, on July 3.

It will provide the first two-week opportunity to review the situation in the light of Poland's continuing economic plight and its effect on the long-term integration plans of the Soviet bloc's economic community. Industrial co-production programmes have been seriously affected.

The meeting will be attended by the prime ministers of the seven European member states as well as of Mongolia, Cuba and Vietnam, which are now also full members of the grouping.

Poland's allies who rely on trade and cooperation with Poland, a long-term ally, now find themselves forced to look for suppliers in the hard-currency area, and this is well reflected in their mounting irritation with Warsaw.

Mr. Stefan Olczowski, a member of the Polish Politburo, whose public addresses have shown great concern about the economic repercussions of the Polish crisis on the rest of the Comecon, said that the Poles must be made to realize that their allies were beginning to draw up a balance sheet of what they were getting and giving and would act accordingly.

In fact, some have already cut down their exports, but the Soviet Union continued to deliver raw materials.

Last year, Poland had asked for supplies in addition to the planned annual quotas and, in the first quarter of this year five Comecon states delivered more than 10m worth of additional goods.

As a result, Poland's debt to these five countries, which excludes the Soviet Union, increased by an additional £200m.

Since the beginning of the crisis Polish exports to Comecon states dropped by 17 per cent, and this trend continued, despite some improvement in deliveries.

INSIDE THE CZECH GAOLS

IN APRIL, CZECHOSLOVAK BORDER GUARDS CAUGHT A FRENCH COUPLE SUGGLING AN ILLEGAL DUPLICATING MACHINE ACROSS THE FRONTIER, PLUS HALF A TON OF ILLICIT LITERATURE.

THE INCIDENT SPARKED OFF A NEW WAVE OF REPRESSION IN CZECHOSLOVAKIA, AIMED AT THE DISSIDENTS. THIRTY PEOPLE WERE ARRESTED, SEVENTEEN WERE CHARGED—OF WHOM EIGHT ARE STILL BEING HELD.

THE CZECHS PLAN A MAJOR SHOW TRIAL THIS AUTUMN. JULIAN MARYON AND A TV EYE FILM CREW SLIPPED SECRETLY INTO CZECHOSLOVAKIA TO INVESTIGATE THE ARRESTS. THEY OBTAINED UNDERCOVER FILM OF THE PRISON WHERE THE DISSIDENTS ARE BEING HELD WITH OTHER CRIMINALS. THEY TALKED TO SOME OF THE DISSIDENTS WHO HAVE SERVED THEIR TIME IN GAOL. THE STORY THEY TELL IS A CHILLING ONE.

WHILE IN POLAND THE GOVERNMENT MAKES MORE AND MORE CONCESSIONS, THE CZECHS ARE TRYING TO STAMP OUT ALL OPPOSITION.

WILL THEY SUCCEED?

TV EYE THE LAST ROUND UP? 8.30 tonight on ITV

LONDON'S WEEKDAY TV

Reagan's battle to turn economy ignites Congress

From Frank Vogl, United States Economics Correspondent
Washington, June 24

White House officials say President Reagan is increasing his efforts to lobby Congress in support of his budget. He wants the Bills passed by early August. He is leaving no doubt that enactment of his economic programmes is his top priority.

So far this week the President has appealed for support to state governors, who came to the White House, to conservative Democratic members of the House of Representatives, who he courted to break fast, to Republican politicians who enjoyed a more substantial White House meal and to dozens more congressmen who he reached on the telephone. Today President Reagan flies to Texas and then to the West to drum up support for his budget.

Meanwhile, the pace of congressional moves to enact a public spending Bill and a tax-cutting Bill is slow. The Republicans are moving along in the Senate, where they hold the majority, but the Democrats are taking full advantage of their House of Representatives majority to place obstacles in the President's path.

Shouting matches between Democrats and Republicans are daily becoming more shrill. Mr Thomas O'Neill, the Speaker of the House, is leading the attack on the President and the Republicans. Mr Daniel Rostenkowski, chairman of the ways and means committee of the House, is taking his time about formulating tax cuts that must still be discussed with the Republican Party leadership.

The American press is fueling the budget excitement with daily reports that suggest that bargains are being struck and votes taken on Capitol Hill at a breathtaking pace. The press is a most willing participant to the drama of President Reagan's test of strength with Congress and it seems now that only a foreign crisis could distract the media's attention.

In 1978 Congress and President Carter's White House waged battle for 10 months over cut-backs, public works and other Bills. The clock was running out as congressmen desperately searched for ways to leave Washington and to campaign for re-election in the November polls.

Over a weekend in mid-October Congress met for 35 hours with earlier negotiated deals abandoned, new agreements and compromises struck and the session completed with a confusing flurry of final votes.

Now it is the impending election that is prompting Congress to act on the economic legislation. In the coming days all manner of compromises will be announced and then, soon afterwards, they will be buried aside in the game of American party politics.

The House of Representatives and the Senate must each vote individually on spending and tax Bills. Once work in each House has been completed the leaders of both Houses will seek to negotiate compromise Bills and have them passed by the full Senate and the full House of Representatives. The President looks now as if he will have no difficulty with the Senate.

But the Democrats look as if they are going to send their own spending Bill to the floor and use the rules committee, where they have a large majority, to prevent a rival Republican spending Bill reaching the House floor. The result could be that the House and Senate will pass such radically different spending Bills that it will prove impossible to work out a compromise.

'Uganda refugees killed'

Kampala, June 24.—Ugandan soldiers killed about 60 refugees and wounded 100 today at the Verona Fathers mission station at Onabek, near the town of Arua, according to reliable sources here.

Reports reaching here said that the soldiers opened fire as panicking refugees fled from the mission in the face of approaching fighting between Ugandan troops and anti-government rebels.

About 7,000 local people were believed to have sought refuge at Onabek over the past few days.

The International Red Cross and a team from the French organization, Doctors without Frontiers, were trying to evacuate the wounded to an Italian hospital at Anga, they added.

Fighting between the soldiers and rebels broke out earlier today at Arua, which had already been badly looted by the uncontrolled Ugandan troops. Reports earlier this week said that an estimated 1,500 Ugandan soldiers, who had mutinied because of lack of food, were in total disorder.—Agence France Presse.



A fire fighter runs for his life as flames, fanned by high winds, sear through the brush of Soda Canyon, California. The fire has spread across 23,000 acres in vine country. Arson is suspected.

Pakistan will have first F16 aircraft by end of year

From Trevor Fishlock, Islamabad, June 24

Two American F16 fighters are expected to be flying with the Pakistan Air Force by the end of this year. Both Pakistan and the United States regard their delivery as urgent.

The aircraft will be the spearhead of a force of F16s, likely to be two squadrons, which will be built up over the next two or three years.

A number of instructor pilots will leave Pakistan shortly for conversion courses in the United States which will take three or four months. It will take longer to train technicians to maintain the aircraft and to programme the electronic systems.

The sale of the first two F16s, and of several others, will be outside the \$1,500m military and economic aid deal, recently discussed by Pakistan and the United States, which now awaits approval.

The F16 is single-engine fighter, made by General Dynamics at Fort Worth, Texas, and costs \$7.5m. Pakistan will meet some of the cost from its own resources and the rest is expected to be covered by a loan, and details of which are still being worked out, from an Arab country. It is believed the loan is being negotiated with Saudi Arabia.

Pakistan is anxious to have F16s as quickly as possible. It considers them its priority defence requirement.

For its part the Reagan Administration wants to emphasize its determination to help what it regards as a front-line state facing Russian-occupied Afghanistan.

The announcement made after the recent Pakistan-United States talks in Islamabad talked of the "seriousness and immediacy of the threat to Pakistan's security" and of American agreement to "the early delivery of selected equipment urgently needed to meet the threat."

About one and a half million South Koreans joined in a mass anti-communist rally, burning effigies of President Kim Il Sung of North Korea, and his son, Kim Chung Il, in Seoul today on the eve of the thirty-first anniversary of the outbreak of the Korean war.

By 6 am thousands of demonstrators converged on Seoul's Yoido Island in the Han river, blocking traffic for miles around and preventing many people from reaching their place of work.

The rally was sponsored by the Korea Anti-Communist League, headed by Mr Suh Jong Chul, the former Defence Minister. The demonstrators carried placards with slogans reading: "Stand up and crush the communists", and "knock down the northern puppets".

Anti-communist speeches by political, religious and student leaders, accusing President Kim of plotting another war and the North of thousands of armed violations, were greeted with wild applause. As the hysteria increased one man cut his belly with a knife and wrote in his blood: "Crush the communists", while another bit his fingers and used his blood to write: "Let's save our people in the North".

The burning of 16 ft effigies of President Kim and his son brought the rally to a close to the sound of cheers and the singing by a girls' high school choir.

At least two members of the ruling People's Democratic Party including an army officer, were shot dead by rebels on Monday in the city, the sources said.—Reuter.

Slogans in blood at Seoul rally

From Jacqueline Reditt
Seoul, June 24

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Terror in Guatemala

The bullet is mightier than the ballot box

From Stephen Downer, Guatemala City

This day they tried to kill Vinicio Cerón, Secretary-General of the Christian Democratic Party in Guatemala, they used submachine guns, rifles and grenades.

Eight men opened fire as Senator Cerón was leaving party headquarters in the centre of Guatemala City. His bodyguards returned the fire. The battle ended with the 38-year-old lawyer scrambling into his bullet-proof van and being driven through a hail of bullets to safety.

A dead bystander and five burning cars were left behind. The date was February 14, 1981, the Day of Friendship. The place: three blocks from police headquarters.

It was the second attempt to kill the leader of the left-centre opposition party in less than two years. Since last June 75 senior members of the party have been murdered. He is a target because he wants the Christian Democrats to participate in next year's presidential elections.

One of the party's conditions for taking part is that the repressive violence from the right, which the Government can control, must be stopped. There are many death squads involved with state security bodies. Señor Cerón says: "He claims that 'if the Christian Democrats do not participate in the electoral process, the elections will not resolve the country's problems. This is the last chance before the country becomes polarized and heads for a civil war'."

An orgy of killing by extremists on the right and left has claimed an estimated 25,000 lives in 15 years. Amnesty International has accused the military regime of President Romeo Lucas García of directing a programme of murder and torture from an annex of the national palace.

More than 3,000 people died as a result of the alleged murder campaign last year. Amnesty International estimates. Señor Mario Sandoval Alarcón, aged 58, the former Vice-President, is presidential candidate of the ultra-conservative National Freedom Movement and is confident of winning.

"We believe," he says, "that Central America is fighting one of the most decisive battles in the world at this moment. If the communists conquer Central America, the world will have taken a great step backwards. If I become President, I'll put an end to the communists."

Guatemala has eight registered political parties. The Communist Party has been outlawed since 1954, when the United States helped to depose the reformist President Jacobo Arbenz Guzmán.

Señor Arbenz Guzmán had encouraged peasants and workers to form unions, earning for himself the reputation of being a communist.

Colonel Carlos Castillo Armas, who replaced him, allegedly ordered the killing of hundreds of the ousted President's followers. Workers and peasant organizations were disbanded and the leftist guerrilla movement was born. Four main groups operate today.

Angered by President Carter's drive to get Latin American governments to improve their human rights records, Guatemala rejected United States military assistance in 1977 and went to other arms suppliers.

Washington removed Mr Frank Ortiz, the ambassador, last year as tensions continued. However, the Reagan Administration is seeking to improve relations with the regime, which Major General Lucas García has headed since 1977.

The country's violence has affected the economy, which grew by only 3 per cent last year, against an average 7.9 per cent in recent years. Yet a cause for some optimism in business and government circles is the discovery of oil four years ago. Commercial production is only about 8,000 barrels per day.

Hanoi hint to Washington

Hanoi, June 24.—Vietnam is still prepared to normalize its relations with the United States, Mr Nguyen Co Thach, the Vietnamese Foreign Minister, said here today.

He described as violent the words of Mr Alexander Haig, the American Secretary of State, towards Vietnam last week.

Mr Haig said in Manila that Washington would keep pressure on Vietnam, particularly economic pressure, until it withdraws its troops from Cambodia. He also urged Hanoi to attend the United Nations-sponsored conference on Cambodia due to start in New York on July 13.

"We are still prepared to normalize our relations—this is in the interest of our two countries", Mr Thach said today. But he also said that for the time being there was no sign of normalization. Agence France-Presse.

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IN BRIEF

Football

Seven Britons feared dead

A man died and six other British repair engineers were feared dead last night after an explosion and fire on board the 136,000-ton Greek cargo ship Agios Ioannis in Rotterdam. Two Britons survived the blast. One was burnt and was released from hospital after treatment. The blast halted all harbour traffic for several hours.

Sailors saved

Newport, Rhode Island, June 24.—Two Britons, Frank Wood and Michael Hampson, have been picked up by a Cypriot ship from their trimaran Triple Jack comping in the Transatlantic double-handed yacht race, the rescue coordination centre in Halifax reported.

Mercy killing rejected

Miami, June 24.—A judge rejected pleas for the parents of a crippled baby that she be allowed to die and ordered surgeons to operate in an effort to keep her alive. Elin Daniels was born 10 days ago with a spinal defect and water on the brain.

Karmal claim

Prague, June 24.—Mr Babrak Karmal, the Afghan leader, said in Prague that many of the people that Western critics claimed were Afghan refugees were actually a bunch of murderers.

Six-day speech

Colombo, June 24.—A 16-year-old Sri Lankan schoolboy talked himself into the Guinness Book of Records, Kapila Kumara Raspathie spoke non-stop on a radio for 159 hours to break by nine hours the record set in 1977 by Mr Roger Cantwell, an Oxford don who spoke on Christian civilization.

\$225,000 diamond

Kimberley, June 24.—Mr Boet Sonnenberg, a 40-year-old diamond digger, has discovered a 50p piece, the South African Press Association said. The flawless diamond is said to be worth about \$225,000.

Security breach

Hongkong, June 24.—A 28-year-old burglar has been jailed for six months for stealing from a police station. The burglar, who was injured in the raid, was found with a gold chain and a watch and missed.

Maestro marquis

Madrid, June 24.—Señor Andres Segovia, aged 87, the Spanish classical guitar maestro, has been named a Marquis by Royal decree. He was given the title of Marquis of Salobrena after a town in Granada where he grew up.

Shanghai swoop

Peking, June 24.—Several illegal traders have been arrested in Shanghai. The Liberation Daily newspaper said a police swoop last week had led to the closure of 163 "unauthorized markets".

Casablanca claim

Rabat, June 24.—Moroccan security forces "fired only in self-defence" during last week's Casablanca riots, Moroccan Ministry of Interior officials said. The security forces had "no knowledge" of anyone killed or wounded by gunfire.

166 Egyptians held

Cairo, June 24.—A total of 166 people have been arrested in a police swoop in connection with the 1978-79 riots. The police said 14 people died and 54 were injured, newspapers reported.

2,000 BC castle found

Peking, June 24.—Archaeologists have discovered a 4,000-year-old castle, the oldest found in China, in Henan province, the English-language China Daily reported.

£1m drugs arrest

Karachi, June 24.—Pakistani customs agents arrested an Algerian at Karachi airport on charges of trying to smuggle over 2,500 grams of heroin worth about £1m.

Police detain 4,000

Delhi, June 24.—More than 4,000 industrial workers were arrested in Bombay when they attempted to hold an anti-government rally in defiance of a ban on such assemblies of more than four people.

Cultural find

Delhi, June 24.—An ancient cultural settlement, dating back almost 3,000 years, is reported to have been discovered in the north-western state of Rajasthan.

Abadan battle

Nicosia, June 24.—Iraqi claimed its forces clashed with tank-supported Iranian infantry at Abadan, killing more than 520 Iranian troops and forcing the rest to retreat.

South Africa will try again to breach sanctions by FIFA

From Ray Kennedy Johannesburg, June 24

Fourteen British football players flew disconsolately out of Johannesburg for home tonight without getting a chance to kick a ball in what was planned as a break-through tour of South Africa, which is outlawed by FIFA, the world governing body of football. Their London-bound flight was delayed for an hour to give them a chance to pack their bags and quit South Africa a bare few days after their arrival.

The four-match tour against predominantly black teams and a series of press sessions were called off last night by the non-racial Football Council of South Africa (FCSA) after warnings from the clubs—namely Arsenal—and FIFA that the World Cup prospects of England, Scotland and Northern Ireland would be jeopardised if the tour went ahead.

George Thabe, black president of FCSA, who had earlier warned that the tour would be a disaster for the British players for breach of contract, said he had met Bev Walker, manager of the touring party, and it was accepted that the contract had been broken. Mr Thabe added: "We came to an acceptable agreement with him."

A Swedish message for Scotland

Sweden 3 Portugal 0

Stockholm, June 24.—Sweden unexpectedly transformed group six into a four-hour race when they thrashed Portugal in a World Cup qualifying match. Sweden, Portugal, Northern Ireland and Scotland are all fighting for the two places in the finals in September.

The Scots look certain to qualify with eight points from five games; Sweden and Northern Ireland have seven points from six outings and Portugal who lost their only match, have five points from five matches.

Sweden, leading through a fourth-minute goal by Bjornson, a defender, put the result beyond doubt with a somewhat fortunate second 10 minutes into the second half by Bengtsson. The third, in the seventy-second minute, was icing on the cake, Ravelli flicking the ball into the net. Sweden headed neatly into the net.

"Sweden played tremendously," the Portuguese coach, Julio Pereira, said. "It was a great result for Northern Ireland. But it was a completely different Portugal in October."

Cycling

Hinault will emerge from shade to answer questions

From John Wilcockson Nice, June 24

Nobody expects Bernard Hinault to lose the Tour de France, least of all the French. The four-time winner will be lining the roads and glued to their television sets during the next 25 days. Their biggest worry is that Hinault's Renault-Gitane team will not be strong enough to bring the world champion his third Tour victory in 1981.

There are also question marks against Hinault himself. Last year, when wearing the yellow jersey, he quit the race with an injured leg. Hinault's team manager, Joop Zoetemelk, gave Hinault his first individual victory in the Tour de France. And less than two weeks ago, on a day of intense heat, Hinault was hit by a car. Hinault was dropped like a no-hoper and abandoned the event.

Doctors diagnosed a blood clot in Hinault's leg. It took many cold drinks to combat a temperature of 100.

The weather is warm in Nice, and the Tour de France will offer little shade to the 150 starters as they race against the clock in the 3.5 miles prologue tomorrow afternoon. Hinault is unlikely to win this event, which is likely to be won by a Belgian, a Dutchman, a Frenchman, a Spaniard, a Swede, a Dane, a German, a Czech, a Slovak, a Polish, a Yugoslav, a Hungarian, a Romanian, a Bulgarian, a Greek, a Turkish, a Cypriot, a Maltese, a San Marinese, a Vatican, a Monaco, a Lichtensteiner, a Liechtensteiner, a Luxembourg, a Dutch, a Belgian, a French, a Spanish, a Portuguese, a German, a Swiss, a Czech, a Slovak, a Polish, a Yugoslav, a Hungarian, a Romanian, a Bulgarian, a Greek, a Turkish, a Cypriot, a Maltese, a San Marinese, a Vatican, a Monaco, a Lichtensteiner, a Liechtensteiner, a Luxembourg, a Dutch, a Belgian, a French, a Spanish, a Portuguese, a German, a Swiss, a Czech, a Slovak, a Polish, a Yugoslav, a Hungarian, a Romanian, a Bulgarian, a Greek, a Turkish, a Cypriot, a Maltese, a San Marinese, a Vatican, a Monaco, a Lichtensteiner, a Liechtensteiner, a Luxembourg, a Dutch, a Belgian, a French, a Spanish, a Portuguese, a German, a Swiss, a Czech, 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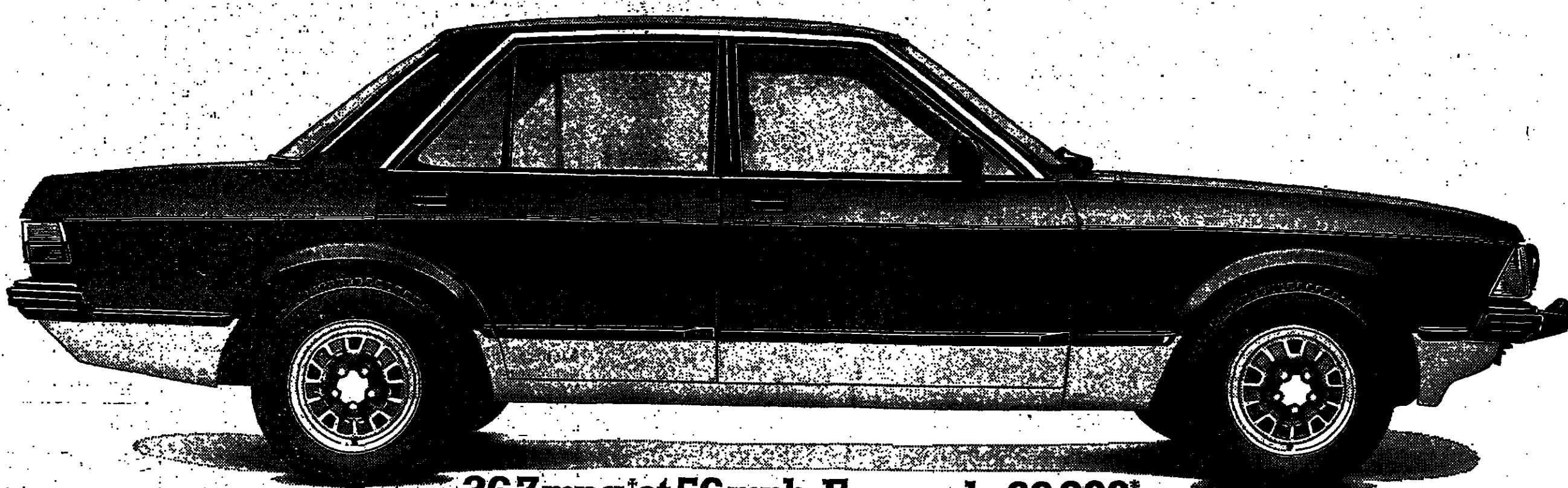
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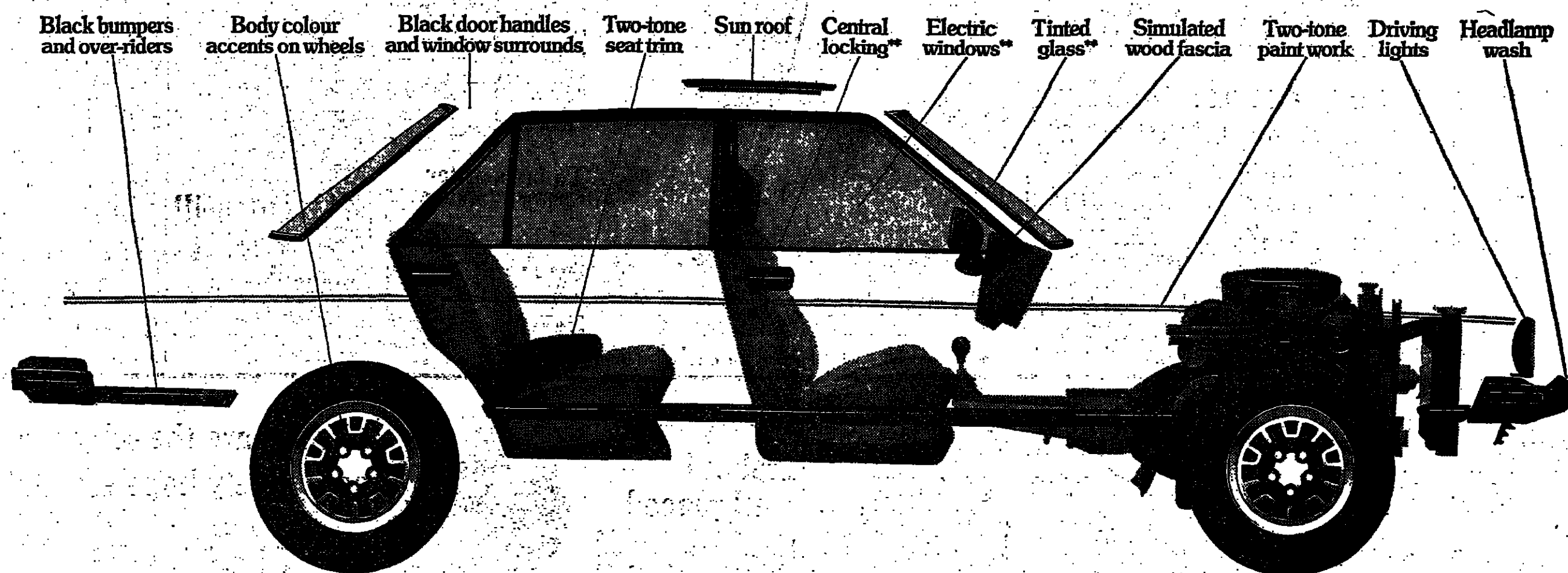
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Constant 75mph (120kph) – 27.7 (10.2). Simulated Urban driving – 22.4 (12.6).

**Maximum prices as at June 25th 1981. Seat belts, car tax and VAT included. Delivery and number plates at extra cost.
*Car illustrated is fitted with the special option pack.

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The remarkable resurrection of Menachem Begin

by Christopher Walker

The most important 40 minutes in Israel's turbulent general election campaign will take place tonight when the two men competing for the post of Prime Minister take part in a televised debate chaired appropriately enough by the doyen of the country's military correspondents.

Supporters of the Prime Minister, Mr Menachem Begin, are looking forward to the confrontation with Mr Peres, through the ease with which their man triumphed in a similar debate before the 1977 poll. Backers of Mr Shimon Peres, the opposition Labour leader, are correspondingly wary, reluctantly acknowledging their candidate's shortcomings as a television performer and his continuing inability to match the fierce rhetoric which has become Mr Begin's political hallmark.

Although Israeli Prime Ministers have always had their personal power checked by the special demands of coalition government, Mr Begin, through sheer force of personality and the strength of his personal following has succeeded in turning the 1981 election into a clash between two individuals. This tactic has been reinforced by his right wing Likud coalition, which has pursued a relentless campaign against the alleged untrustworthiness of Mr Peres uncannily reminiscent of that once employed in America against Mr Richard Nixon.

One typical advertisement urged Israel's 2,500,000 voters to "elect a credible Prime Minister—or Shimon Peres". Another, spread over a full page in the Hebrew press, contained a personal quotation from Mr Yitzhak Rabin, the previous Labour Prime Minister, who wrote disparagingly in his autobiography: "I knew Peres, his character and his qualities. I did not believe one word he said." Underneath was an unflattering photograph of Mr Peres looking shifty and the printed challenge "look him straight in the eye—can he be trusted?"

The Labour Party and its American campaign adviser, Mr David Sawyer, have been striving to prevent the election being dominated by a simple choice between the prospective national leadership of either Mr Begin or Mr Peres. Their commercials have sought to stress the argument that the Labour cabinet team and to show up the Likud as a one-man-band, with no credible successor to its 68-year-old leader in sight. But their efforts to broaden the argument appear to have failed, and recently the opposition has reverted to displaying ugly scenes of election mob violence and attempting to frighten voters by labelling them as a new Israeli phenomenon known as "Beginism".

Mr Peres has gone further in public meetings, where the full fury of organized and often violent pro-Begin heckling has been turned against him. The Prime Minister has been labelled a "neo-Fascist", his followers accused of "Khomeinism", and described tauntingly from the platform as "a rabble".

Ironically as the campaign has become progressively more bitter, the tone of some of Labour's personal attacks against Mr Begin have not varied greatly from the 1946 arrest warrant issued for him by the Palestine Police, which described the then leader of the Irgun Jewish terror group as a "type of irresponsible, uncompromising rebel, thirsting for personal power, thirsting for personal power, thirsting for personal power".

With some 20 per cent of the volatile electorate still undecided, tonight's debate in which each candidate will answer identical questions, is seen as crucial. It is a mining voting pattern on June 30. But whatever the final result, the campaign has already demonstrated the remarkable powers of political and personal recovery, possession of Mr Begin, who only five months ago had been written-off as a depressed, introverted and unsuccessful Prime Minister presiding over

150 per cent inflation, a fractious Cabinet and the prospect of imminent electoral defeat. In January, the widely regarded Jewish post-politician was giving his coalition only 20 seats compared with 58 for Labour. In the latest survey (conducted after the destruction of the Baghdad reactor), the roles have been convincingly reversed, with 49 of the Knesset's 120 seats forecast for the Likud, compared with only 37 for Labour.

Mr Begin proudly refers to his personal transformation as "a resurrection", and by a show of energy and resilience which even his closest aides thought impossible, has managed to defuse public speculation about his often precarious state of health: instead of referring to his long history of serious heart complaints, Israelis now like to note that two of the doctors who, previously treated him as dead, and a third in hospital.

Some bewildered and dismayed liberal journalists have blamed the revival of a Prime Minister's revival, but a more convincing explanation is that like other ambitious politicians, he has reserves which are activated by the sudden prospect of re-election against all the odds. "Leading the Israeli people is more than a job for Menachem Begin, it is a mission," explained one official.

With a total of 31 parties ranging from Arab communists to extreme right, few contesting the poll, the immediate outcome is likely to be anything but clear cut. There has never been a simple majority government in Israel's 33-year history, and an exception is likely this time—leading to the prospect of a complex coalition-building process lasting through much of July, and possibly longer. As in 1977, the decisive factor will be the voting preference of the oriental or Sephardi Jews, who now make up over 55 per cent of the population and still suffer from considerable under-privilege.

Cardinal Hume has given reflection; Dr Runcie gave practical advice. School worship need not only be formal assembly; it could be small groups meeting for prayer, silence or music. And he firmly told MPs there were other ways of putting across the Christian faith other than verbal ones, such as in music, or dance. MPs might discuss these ideas as "soft-boiled pansy stuff" but it was important to use other methods. We were, he said, in a kind of verbal ice-age.

It was an ice-age Dr Runcie was quite at home in. Impressively articulate, he urged MPs not to be strait-jacketed in their recommendations: fighting for a slot for religious education was less important than what went into it.

Despite differences of approach, the two agreed on fundamentals. The school curriculum should still have a spiritual ingredient and there should also be some kind of worship in schools, either as a whole but, rose to the same elevations as unworthy of the rest of the scheme. The commission also hopes that the architect, James Stirling, will have "proper regard for the roofscape", which will be "visible from many of the surrounding higher buildings".

The Government's Property Services Agency, which is administering the scheme, is under no obligation to follow the advice offered by either Westminster or the Commission. However, I understand that Stirling is willing to reconsider those parts of the design under attack.

Cuts and thrust
Defence Ministry officials say that John Nott's defence review, which will be announced to the Commons



The overwhelming preference for Mr Begin over Mr Peres among the predominantly secular, middle-class oriental community is not easy to explain, but is widely agreed to have been the main cause of Israel receiving its first right wing government four years ago.

Of all the theories put forward, the most telling claims that while both rivals were born in Poland, Mr Begin is now regarded simply as a Jew, while Mr Peres—for all his years in the Middle East—is still seen as an Ashkenazi (a Jew of European descent). Although Labour has prompted an Iraqi born woman politician to the prestige second place on its election list, it has still not shaken off the image of the early pioneering days when power was restricted to an elite group of European stock, and Israeli society was based largely on exchange favours.

In few recent elections around the world have the

styles of the main contenders been so sharply contrasted. Mr Peres favours the low-key approach, relying heavily on understatement, and carefully weighing the consequences of his remarks and showing a marked reluctance to go for the jugular over such vital issues as Mr Begin's attitude towards the future of the occupied West Bank. Mr Begin's disastrous economic state. When the campaign begins, it will be Labour's failure to focus public debate on the Government's failings in the spheres of economic and social policy which will certainly be singled out for critical analysis.

At the outset of the campaign, Likud's diffident new Finance Minister, Mr Yoram Aridor, stole the thunder from Labour (which had failed to make its own candidate for the Treasury) by slashing taxes on more than 100 prime consumer products in a reckless

display of "supply side" economics. The momentum was then maintained by Mr Begin's vigorous personal campaigning, the Syrian missile crisis, and then the Baghdad raid, which left much rational Labour criticism looking dangerously unpatriotic. The only hiccup in the Likud campaign was the outbreak some two weeks ago of riotous violence and intimidation which has still not been properly controlled.

Senior opposition advisers believe that tonight's TV confrontation will provide Mr Peres with his last chance to halt the pro-Likud trend, which has shown up in every opinion poll published for the past three months. But few are prepared to express any convincing optimism. As one dejected Labour Party campaigner told the Jerusalem Post, "We may not like the flavour of the magic, but I wish we could get our hands on the secret formula".

Some of the material which inspired the amendment would be regarded by most normal people as obscene. It uses the language of the gutter, and at least one book widely used in schools introduces children to a sensitive area even to the details of such perversions as bestiality.

Education ministers seem to have been as appalled as most people would be when they saw this material. But the Department of Education refused to countenance the proposed amendment. It was also bitterly opposed by the Family Planning Association, which now concentrates on sex instruction for the young, and by the Brook Advisory Centres which cater for contraception for teenagers.

The ground of the department's resistance was that the amendment would mean altering the 1944 Education Act and might, in theory, lead parents to press to withdraw children from other subjects.

On that ground, Baroness Young, Minister of State for Education, opposed the amendment, although expressing her sympathy with the worries that had provoked it. The fear that thousands of parents would start removing their children from mathematics and geography classes on grounds of principle is not, I confess, one that I find instantly persuasive, but it was enough to move, not only Lady Young, but the sponsors of the amendment, who withdrew it in exchange for various undertakings she gave them.

School governors, she said, should play a part in establishing how the subject was handled, and in seeing that parents' views were taken into account. The Secretary of State's powers to require the publication of certain information would be used to see that local authorities made such information available to parents. Above all, the department would consider issuing guidance on the teaching of the subject.

The way in which the Government has since behaved, far from being in the spirit of Lady Young's bland reassurances, further erodes parents' trust. It is a pity that the complete nonsense of her argument that parents only had the

right of withdrawal from religious education because it alone is compulsory in the curriculum, which sex education is not. Everything that the department has since done in encouraging schools to regard sex education also as, de facto, compulsory.

In its consultative paper, *A Framework for the School Curriculum*, for January 1980, there already existed one of those vague general statements beloved by officials which make all things possible. It suggested that such subjects as moral and health education should be added to the core. Additionally, under the Education Act 1980, regulations have been made as to the publication of information about sex education, which are increasingly being taken by schools as suggesting that this is an essential subject.

All this provides a licence which the sex-instruction missionaries are not slow to use. The question is whether it will be used as a licence to take them towards a happy future or corrupt.

Meanwhile, the teachers see the bit between their teeth, the sex-kits multiply and a significant number of schools use the teaching aids produced by the Brook Advisory Centres and described by an MP as "pornographic". Sir George Young of the Department of Health has also announced at a Brook Advisory Centres conference on the consequences of teenage sexual activity that the Government must campaign this autumn on contraception for teenagers. It will be under the management of the Health Education Council (which, like the Schools Council, has a Brook's public content on its recommended lists).

In sex teaching, the Government is also going into a kind of partnership with the Brook Centres whose whole ethos encourages and forces for granted the premature relationships of which ministers say they disapprove.

Mr Patrick Jenkin, Secretary of State for Health, will tell critics of the FPA that it is not that organization but the Brook which worries him. But the department's attitude is not so clear-cut. Vaughan, his Health Minister, from proposing to renew the Brook's grant (some MPs think it will be doubled) in the context of the arrangement by which, as a kind of *quid pro quo*, the education department

proposes to make the Brook's teaching aids. Meanwhile, at the DES, Baroness Young does not conceal that she is "very concerned" at some of the material produced by the Brook in the past. (Actually, their particularly nasty sex-aid colour-slides are very much in the present.) But her response to her own anxiety is to bring the department into partnership with the very organization she disapproves of, so that together they can plan sex-education work and teaching aids.

She seems to think that parents will find this reassuring. On the contrary, they should be alarmed. The Brook's material is not only disgusting, but it is also a very good example of the kind of material that ministers have seen, despite the material that disgusts Lady Young, they propose to give the Brook Advisory Centres their stamp of approval provided this body will not do down its products. This the Brook will be obviously pleased to do (if only for a transitional period) because they know that, at the Department of Health, their great prospects depend on their cooperating with the Department of Education.

And so the circle completes itself: children will end up in the Brook clinics for contraceptives or (when they fail) abortions, and ministers will throw up their hands, or wash them, at the statistics. Do these ministers really mind anything apart from keeping their jobs and doing what their officials and the approved pressure groups tell them?

A licence to corrupt?

Ronald Butt

The present Conservative Government may prove to have been good for family business, but it is hard to see what it has done for the family, except to assist in the planting of a dangerous seed. While the Cabinet wrestle with the mightier business of economic and defence policy, we should spare a moment for the lesser matter of the happiness of future generations make use of it. Let us see how they have been treated by the party's manifesto commitments to extend parents' rights.

Some readers may recall that in February last year I drew attention to an attempt being made by backbenchers in the House of Commons and the House of Lords to amend the Education No. 2 Bill so as to give parents the right to know what their children were receiving, and from what kind of teaching material. The amendment also sought to give parents the right to withdraw their children from such instruction (so they can from religious education) where it was offensive to their principles.

Serious disquiet had been growing among many parents who had discovered both the manner and moral overtones of such instruction, and the offensive teaching aids often used. The justification usually given for the tone of this instruction is that it is intended to cater for children who are already in the preferred euphemism, "sexually active". Most people would regard its message as implicitly encouraging other children to be sexually active as well if they wish—provided they use contraceptives and try to avoid pregnancy.

Some of the material which inspired the amendment would be regarded by most normal people as obscene. It uses the language of the gutter, and at least one book widely used in schools introduces children to a sensitive area even to the details of such perversions as bestiality.

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There is a campaign in Washington for simpler English. Malcolm Baldrige, Secretary for Commerce, has sent round a memo admonishing civil servants. He says they must use plain English in official business. Short sentences. Proper style is "half-way between Zane Grey and Ernest Hemingway". There must be no bureaucratic words. Words like "prioritize" are out. So are phrases like "this moment in time". Good to have this sort of thing concretized.

Brief brief
President Reagan would approve of this item. It consists of short sentences. It uses only short words. None are over-fancied.

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Peter Watson

Archbishops answer back

The Church came under the fire of the inquisitorial arm of the State this week when its leaders faced the rigours of questioning by a Commons select committee of MPs.

All eyes were on the performance of the two Archbishops: Dr Robert Runcie, Archbishop of Canterbury, yesterday and Cardinal Basil Hume, Archbishop of Westminster, on Monday, to see how they would acquit themselves in this latter-day Star Chamber.

The archbishops were giving evidence on secondary school curriculum and examinations, which MPs, under Christopher Price, Labour MP for Lewisham West, are due to report on in the autumn. And this meant grappling with an issue as why religion was not "number one in the parade", and what the churches were doing about it; whether religious education and daily worship should be compulsory in schools and the point of teaching Christianity in a multi-ethnic society.

Cardinal Hume battled first and had the advantage that MPs were not quite in their stride; questioning the head of the Roman Catholic church in Britain was not the same as grilling an obdurate civil servant.

Stan Thorne, Labour MP for Preston South, broke the ice. "My wife thinks we should be answering your questions rather than the other way round," he said.

The archbishop immediately launched into an analysis of the problems facing twentieth

century man and the place of religion in society. There was a malaise, a void, a lack of vision, he told MPs, which in the past had been filled by Christianity. This was of all the greater concern because of the "agonising" problems we face: race relations, unemployment, nuclear arms, disparity of wealth.

The MPs let him speak. But yesterday, when it was Dr Runcie's turn, Patrick Cormack, Conservative MP for Staffordshire South-West, launched into the attack. It had taken 27 minutes, he said, for the Archbishop and others giving evidence to mention Christ or Christianity and that, surely, was the "fub" of the issue.

Unruffled, Dr Runcie put down his questioner with the sort of answers we usually flavoured by their questions.

Hume handled his questions with gentle persuasion; if discursive logic often splitting his replies into points, one, two and three. He talked of religion being taught by the "deductive" and "inductive" processes; and of how much religion had been absorbed through "osmosis".

With the reflective manner of a monkish philosopher, he told MPs that present-day problems and the question of what was right and wrong, came down to the fundamental questions of what was morality, and that in turn, to what was man.

By contrast, Dr Runcie consistently came back to personal experience; the experience of his children; grappling with

issues in the media; his own experience learning about the differences between a mosque and a church and the way that had strengthened his faith and understanding; his recent experience in the United States and view of religion there.

Cardinal Hume had given reflection; Dr Runcie gave practical advice. School worship need not only be formal assembly; it could be small groups meeting for prayer, silence or music. And he firmly told MPs there were other ways of putting across the Christian faith other than verbal ones, such as in music, or dance. MPs might discuss these ideas as "soft-boiled pansy stuff" but it was important to use other methods. We were, he said, in a kind of verbal ice-age.

It was an ice-age Dr Runcie was quite at home in. Impressively articulate, he urged MPs not to be strait-jacketed in their recommendations: fighting for a slot for religious education was less important than what went into it.

Despite differences of approach, the two agreed on fundamentals. The school curriculum should still have a spiritual ingredient and there should also be some kind of worship in schools, either as a whole but, rose to the same elevations as unworthy of the rest of the scheme. The commission also hopes that the architect, James Stirling, will have "proper regard for the roofscape", which will be "visible from many of the surrounding higher buildings".

The Government's Property Services Agency, which is administering the scheme, is under no obligation to follow the advice offered by either Westminster or the Commission. However, I understand that Stirling is willing to reconsider those parts of the design under attack.

Cuts and thrust
Defence Ministry officials say that John Nott's defence review, which will be announced to the Commons

East Anglia's boy scouts and hermits do not know it, but there is a nuclear war. The region is one of the first in Britain to plan its health services to deal with the effects of a nuclear attack.

Already there are schemes to store redundant ambulance radio equipment for a communications network; a list is being prepared of the hospitals which might survive in part, and how best to protect their patients; first aid posts are planned.

East Anglia has cause to worry. Packed with United States and RAF bases, it was the prime target in the face of such a possibility, the Regional Health Authority has drawn up a document called *Organization of the Health Services in Time of War*. It makes chilling reading.

It suggests that between 3,000-4,000 hospital patients might be sent home if war breaks out, and others would be moved to those parts of hospitals offering best protection against blast, heat and fallout. With telephone services would be used as messengers.

Supplies of essential foods and 28 pints of water, stored in black plastic bags inside cardboard boxes, would be needed for each remaining patient. "After an attack," the document observes bluntly "it has to be understood that life-styles as we know them today will disappear, retreating to those of at least two centuries ago."

Radiation would make any movement by soldiers impossible for at least 48 hours. "Life-saving operations, except on the most limited scale, will be impossible for up to two weeks," the document

be launched at a ceremony at the Mansion House in the City next week. Some 465 signed copies of the print will be sold for £15 each and for a further £30 the artist will add a sketch to the margin.

Sounds like a good investment. Mails, who lives in Cornwall, has been involved in a number of successful print ventures, one of the best being taken from his painting *The Third Battle of Marston*, a scene from the *Battle of Marston*, which originally sold for less than £50, now fetch £600. His paintings (the Queen has one in her private collection) fetch up to £4,000.

Today, has been the most ruthlessly conducted exercise they can remember. None of the Healey reviews or the Roy Mason's attempt in the mid-1970s can compare with it for speed and brutality.

Apparently Nott went to the Defence Ministry with preconceived ideas about where the cuts had to be. There was much circumstantial evidence that Lord Carrington and the Prime Minister must have taken him on one side and told him to leave British forces in Europe largely alone because on many occasions he refused to consider any options other than those for which he wanted detailed answers.

Many of his most senior officials were kept in the dark about the details of the review, and will not know the full extent of the damage until they are assembled by their service chiefs this morning.

Cabinet watchers in the Defence Ministry have asked themselves:

How herbs could help if the Bomb is dropped

says. Doctors and nurses would not be allowed to enter highly radioactive areas whose people had little chance of recovery.

Community nurses would be needed at casualty clearing centres, where survivors would be screened to prevent any remaining hospitals being overwhelmed. Only patients with a good chance of recovery should be admitted.

With drug production halted and most supplies destroyed, doctors would have to turn to herbal remedies. The document lists almost 100, based on plants from celery to foxglove, skull-caps to comfrey. Under foxglove, which contains digitalis for heart conditions, it says: "Collect autumn of first year for main crop . . . dry rapidly in shade . . . dose 60mg to 100mg of dried powdered leaf."

There is no shortage of volunteers to say that such planning is pointless. Almost all East Anglia's major hospitals are in cities that would be affected by nuclear blast. Last year the Pugwash Medical Working Group said bluntly: "There is no possible basis for a response after a nuclear attack. In one major city alone, in addi-

tion to hundreds of thousands of sudden deaths, there would be hundreds of people with severe burns, trauma and radiation sickness—all demanding intensive care."

With hospitals destroyed, and their staffs dead or injured, power, medical supplies and transport gone, many people would die of infections, fractures and other conditions that in peacetime would be minor.

Medical concern about the effects of nuclear war appears to be growing. Ten motions calling either for nuclear disarmament or for the public to be told about the effects of nuclear war are on the agenda of the British Medical Association's meeting in Brighton next week. The one most likely to be debated calls on the association to review the value of civil defence.

Dr Richard Kavanagh, of Ipswich, who will propose the motion, says that planning for a nuclear war could lead people to believe unrealistically in their own invulnerability. "The unthinkable is becoming thinkable," he said. Yet East Anglia's own plans "point to the fact that there won't be much left afterwards".

Mr John Edwards, of the East Anglian Regional Health Authority, who drew up the region's document, says: "We have a responsibility to accept the problem and try to provide support for people in the unlikely event of war."

"Experts suggest that many millions of people would be left alive at the end of the first year. It would be wrong to throw up our hands in despair and say we can do nothing."

Nicholas Timmins

"Art Nouveau?" I asked. "Audemars Piguet," she returned, smiling.

Graceful arabesques of gold embraced the flawless face. The miraculously thin case was edged in gold tracery.

She took the watch from my hand and put it on, the finely decorated bracelet encircling her slender wrist as lightly as a silk ribbon.

There was, perhaps, an echo of the romantic movement in its design. But its slim shape was strictly 1980's.

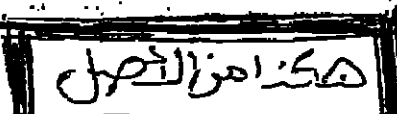
In all, another timeless classic by Audemars Piguet.

"And you wear it," I teased, "merely to tell the time."

She arched her eyebrows. "Just as you use the Lalique vase," she countered, "merely to hold flowers."

Audemars Piguet

Illustrated brochure and a list of appointed jewellers is available from Audemars Piguet, 72 Saffron Hill, London EC3N 8RS.



Another hitch on the way to a Turner home

The plans for the new £5m Clore Gallery to house the Turner Bequest on a site adjoining the Tate Gallery have come in for unexpected criticism. This evening the City of Westminster's town planning committee will consider a report calling for extensive reconsideration of parts of the building's design so that it makes "a positive contribution to the character and appearance of the Millbank conservation area".

Ian Lacey, Westminster's planning officer, says in the report that the north-west and south-east elevations are utilitarian and devoid of architectural interest; they comprise unrelieved areas of brickwork with windows, door and ventilation openings "seemingly arbitrary in their disposition and size".

The Royal Fine Art Commission, which was also consulted, acknowledges "the masterful planning, layout and scale" as a whole but, rose to the same elevations as unworthy of the rest of the scheme. The commission also hopes that the architect, James Stirling, will have "proper regard for the roofscape", which will be "visible from many of the surrounding higher buildings".

The Government's Property Services Agency, which is administering the scheme, is under no obligation to follow the advice offered by either Westminster or the Commission. However, I understand that Stirling is willing to reconsider those parts of the design under attack.

Cuts and thrust
Defence Ministry officials say that John Nott's defence review, which will be announced to the Commons

THE TIMES DIARY



Fresh from his plunge into the *Solent*, earlier this month, Henry VIII's warship *Mary Rose*, Prince Charles is to make a positive contribution to the £3m project aimed at raising the ship.

The Prince, who is president of the *Mary Rose Trust*, has agreed to the sale of a limited print of Ben Mallet's oil painting of the vessel, which the artist presented to him in London last February.

The trust hopes to raise more than £50,000 from the scheme; which will today, has been the most ruthlessly conducted exercise they can remember. None of the Healey reviews or the Roy Mason's attempt in the mid-1970s can compare with it for speed and brutality.

Apparently Nott went to the Defence Ministry with preconceived ideas about where the cuts had to be. There was much circumstantial evidence that Lord Carrington and the Prime Minister must have taken him on one side and told him to leave British forces in Europe largely alone because on many occasions he refused to consider any options other than those for which he wanted detailed answers.

Many of his most senior officials were kept in the dark about the details of the review, and will not know the full extent of the damage until they are assembled by their service chiefs this morning.

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HISTORY MADE EASY

The French Communists have entered government with more of a whimper than a bang. The looming threat which they seemed to represent only four years ago has shrivelled away. They come now as suppliants, much reduced by severe losses at the polls. Whereas in 1977 they broke the union of the left because they could not stomach the thought of being junior partners they are now ready to accept an even more junior status on terms almost wholly dictated by president Mitterrand. An historic event which might have sent tremors throughout Europe is now being greeted in most capitals with little more than a shrug of the shoulders.

This is first of all a tribute to the consistent tactics of Mitterrand. He was much criticized for entering the union of the left, especially after it fell apart, but he persevered in believing that the only way to win voters away from the Communists was to play fair, to demonstrate constant readiness for cooperation so that any breach remained clearly the responsibility of the Communists themselves. He did not want floating voters on the outer fringes of the Communist Party to feel that he was merely trying to steal their votes in order then to kick the party in the teeth. He had to provide an honourable bridge for them to cross.

This is one reason why he felt obliged to invite the Communists into the Government. He

won with their votes and their support. It would have been inconsistent as well as dishonourable if he had not reciprocated. But he also wanted to avoid driving them into resentful opposition. They still have a significant capacity to make trouble, especially through their control over the CGT, which is the largest labour federation in the country. When things begin to go wrong for the Government they may still decide to pull out and exploit this strength, but at least they will carry full responsibility for their decision. President Mitterrand will remain the man who tried honourably to keep the left together.

Meanwhile the terms of the agreement between the parties show just how careful President Mitterrand is being. He has tied the Communists into total loyalty, not just in the cabinet but right the way down through municipalities and trade unions to the shop floor. This means that they cannot remain in the Government while conducting guerrilla warfare against it at all levels. They must share full responsibility or leave. It is a measure of their eagerness to taste power that they accepted this along with a policy of much slower domestic change than they themselves propagated.

They have also made some very conspicuous concessions on foreign policy, including a complete about face on Afghanistan. Whereas until now they have defended Soviet intervention they now demand the

withdrawal of Soviet troops. On Poland, too, they diverge from the Soviet line in that they describe what is going on there as a "process of economic, social and democratic renewal" which the Polish people should be helped to carry out. They also support the Camp David agreement, which the Soviet Union denounces, and express support for France's alliance and her active participation in the European Community.

President Mitterrand has had close contacts with Communists since his time with the resistance movement against Nazi occupation. He knows them well enough not to trust them and he is now strong enough not to have to trust them. They have accepted his terms and if they break them he can manage on his own.

This is what makes for reassurance among France's allies. There is, of course, a danger that the respectability conferred on the French Communists by cabinet posts will strengthen their standing and rub off on other European Communist parties as well. A kind of taboo has been broken when Communists enter the government of a major European state.

But the real significance of what has happened in France is that the Socialists have dramatically overtaken the Communists as the main force on the left. If Italy is influenced it could be as much by this as by the arrival of Communists in government.

THE PENSION TRAP

There has been a considerable expansion of occupational pension schemes during the postwar years. Just over half the employees in the United Kingdom are now serving members of such schemes, according to a report published yesterday by the Occupational Pensions Board. In itself, that is excellent. Occupational pensions can be tailored, better than any state scheme, to suit the needs of different kinds of employment. They also provide a vital source of investment. So the principle of occupational schemes ought to be encouraged for both social and economic reasons.

In practice, however, many of them are far from adequate, and there is no merit in a bad pension, whoever is kind enough to provide it. Some occupational pensions were never very generous, but much of the trouble comes from the failure to cope with inflation. This has caused particular dissatisfaction with many purchase schemes, in which benefits are related directly to the accumulated value of contributions. Each pound contributed purchases so many pence of pension entitlement. But unless the value of occupational pensions is uprated to take account of inflation, the effect is that contributions are paid in today's money and benefits are received in the day after tomorrow's depreciated coinage.

Very few money purchase schemes have been uprated, and it was thought to be progressive,

and did indeed become fashionable, to introduce a final salary scheme, in which the size of pension is related to a person's earnings in his last year - or, more often, his last few years - before retirement, and the number of years he has been in the scheme. Over ninety per cent of serving members now belong to final schemes.

But in seeking to correct one injustice, another has been created. A final salary scheme does, indeed, counter the effects of inflation during a person's service with a particular employer. It is liable, however, to penalize him harshly for changing jobs. In only a minority of cases is there provision for pension entitlements to be transferred when a person moves from one employer to another. The more frequent practice is for the first scheme to pay a deferred pension when the person concerned reaches retirement age. But unless the value of that pension is preserved in real terms, the total pension he will ultimately receive will be much less than if he had stayed where he was.

It is rare for a deferred pension to be fully preserved in real terms. So the total effect of the occupational pension system, which is so desirable in principle, is to provide a strong disincentive to a great many people changing jobs. This is to "create an industrial straitjacket in an economy which requires much greater mobility of labour. It is unfair to individuals and damaging to the national interest. This is the problem that the

Occupational Pension Board has tried to resolve in its report, *Improved Protection for the Occupational Pension: Rights and Expectations of Early Leavers*. But its conclusions are disappointingly timid. The board has been deterred from recommending compulsory transferability by the technical complexities. These are certainly formidable, but they should not be tamely accepted as insurmountable. This would be merely an academic argument, however, if the report made adequate proposals for preserving the value of deferred pensions.

Unfortunately, the best it can offer in this field is to improve the arrangements now applying to those schemes which are now contracted out of the earnings-related part of the state scheme, so that all deferred pensions would have to be uprated by at least five per cent a year. But who believes that inflation will be kept to that level?

Full preservation might admittedly be expensive. But there are three answers to that. It would be better to reduce the value of nominal benefits if that is the price of removing this injustice. It would be better for some weak schemes to be wound up, if they cannot offer adequate benefits to all their members, rather than fail to improve the rest. Finally, the unions must recognise that if they want to bring pensions up to a proper level, they must make allowances for the cost in wage bargaining. But the task is not impossible and it is urgent.

BUDGETARY REFORM AT BRUSSELS

The policies of the European Community are not decided by the Commission. But the Commission's proposals are the first step in the process which leads to a decision, and they usually form the basis for subsequent discussions. So it is all to the good that in the proposals they published yesterday, on the important subject of reform of the Community budget, they recognized Britain's continuing difficulties and outlined ways in which they could be resolved.

The proposals will now be discussed at the summit conference in Luxembourg next Monday and Tuesday - though inconclusively, because President Mitterrand has asked for more time to prepare his Government's position - not to mention Italy, Ireland and the Netherlands which have only caretaker Governments. The following day, July 1, Britain will take over the presidency and will be doing all it can to bring about an agreement in the issue by the end of the year.

The basic problem is one that has dogged Britain ever since it became a member of the Community: the fact that very largely because of the overwhelming predominance of agriculture in the budget, and because Britain itself has a relatively small farming sector which can benefit from it, it finds itself a heavy net contributor. The problem is further

exacerbated by the surpluses that have accumulated, which are expensive to store. And the prospect of a long diplomatic battle with Britain, which has long recognised its special situation last year and agreed to reduce the burden. But it was only a temporary solution, and the Commission's proposals are intended to provide the basis for a permanent arrangement, which should mean that this issue will not continue to recur year after year.

At present, no longer a purely British problem, West Germany, which has long been the largest net contributor to the budget, and which agreed to increase its contribution even further as part of the agreement with Britain last year, has announced that it wants a limit set on what it has to pay. And there is added urgency from the prospect of entry of Spain and Portugal which will place further burdens on the budget.

In their proposals, the Commission have acknowledged Britain's predicament and suggested two methods which, together, should resolve it. The continuation of a system of rebates along the lines of the one now in operation, and an arrangement by which the countries which gain most from the common agricultural policy should forego some of their

Britain. The Commission does not suggest how much, and the amounts are bound to be determined by the countries that have done well so far out of the common agricultural policy. For Germany, on the face of it, the Commission has not done much, taking the view that it does not need help. But in practice, Germany will gain from the fact that it will not have to contribute again to solving Britain's difficulties, and from any progress that is made in holding down agricultural costs.

It is, in fact, a well-constructed package, containing a palliative for Britain, proposals for bringing Community prices more in line with world levels, and ideas for spending on regional and social projects. The mechanisms to help Britain may be unpopular, and the regional and social spending are bound to be limited. But that is largely because the governments of the Community have so far refused to face the need to control agricultural spending. Neither Britain nor Germany will agree to that which has been done. So as they consider the Commission's proposals, the governments should have two aims in mind: to avoid unacceptable situations - like that faced by Britain, and to curb the excesses of the common agricultural policy.

Inner-city churches

From the Reverend R. Taylor and the Reverend Father Dominic, C.A.
Sir, I write in connection with the suggestion (June 18) made about the "winning" of suburban and inner-city churches. During the past year our two churches have been developing active links with each other - St Matthew's is a suburban church in central Croydon and St Mary's, Newington, is an inner-city church near the Elephant and Castle.

So far we are exploring links between the parishes in the areas of prayer, worship and joint social

events as our two parishes become familiar with one another. Already after a relatively short time we are beginning to see solid benefits in mutual understanding and have learnt a great deal from one another. At present we are in the early stages of developing this "link-parish" idea, but we would be very interested to hear from others attempting similar experiments. Our two churches have different traditions and styles of ministry and worship and the opportunity for personal and community growth seem to be very considerable. Once the initial links have been formed, it encourages us to widen our hori-

zons beyond the parish boundaries to our own particular cultural setting.

Not the least of the advantages is the opportunity for both parishes to experience in a fairly direct manner a different style of ministry and organization - learning by doing and by sharing, rather than exhortation.

Yours faithfully,
RICHARD TAYLOR,
St Matthew's Vicarage,
53 Stanhope Road,
Croydon,
Surrey.
June 18.

Civil Service compromise

From Professor Sir Henry Phelps Brown
Sir, The intransigence of each party to the Civil Service dispute is intelligible. The trade unions have been obliged of their very nature to resist the unilateral withdrawal of an established procedure. The Government has been obliged by financial constraints to pay less than the established procedure would have yielded. But a settlement reached simply by the breaking down of either side would be harmful: either pay would have been pushed up by disruption, or the loyalty of many civil servants would be shaken.

How the two sides could yet meet on a middle ground was suggested in the letter by Professor H. A. Turner in your columns of June 10. The Government would restore the established procedure for the current year, but the unions would agree that payment of the excess over 7 per cent of the rises indicated by the procedure should be deferred.

In doing this the Government would recognize that in withdrawing from an established procedure without allowing time for working out a new one it had departed from good industrial relations practice. The trade unions would recognize that all procedures are subject to review from time to time, that this one had been suspended before during drives against inflation, and that the Government had imposed the present limit as part of such a drive.

Yours faithfully,
HENRY PHELPS BROWN,
16 Bradmore Road,
London.
June 23.

From Mr E. W. Clark
Sir, The strike of civil servants at Companies House is now in its sixteenth week and has made it impossible to carry out company searches throughout this time. Only two years ago a similar strike lasted over nine weeks.

The unemployed company search agent, carrying out searches mainly for solicitors, and have had my earnings reduced to some 15 per cent of normal for this period. Being self-employed I am not entitled to unemployment benefits, but I read that some union members are prepared to carry on the strike until Christmas - naturally they will receive substantial strike benefits.

The strike hurting anyone but people like myself and my customers? Do the civil servants think that we will get them higher pay?

Yours faithfully,
E. W. CLARK,
76 Grove Road,
Thornton Heath,
Surrey.
June 23.

Claims to honour

From Mr P. Livingston Armstrong
Sir, It was enlightening to contemplate (June 13) the Precursor of Christ Church in dispute with a distinguished Field Marshal (Lord Carver, feature, June 8) over his alleged "professional soldier of this century".

If to the necessary attributes we have to add that of remaining a human being, and remembering that "who rules his spirit is greater than who takes cities", the position of Alan Brooke seems above question, alike on the field and in his higher direction.

Apart from Monty's own, typically forthright, view in support of Alan Brooke's services for so long in that wonderfully successful "partnership in genius" with Winston Churchill were surely unique.

In comparison with the long history in which such a brilliant political leader, so steadfast in parliamentary democracy, has been so ably served and supported by such understanding military competence?

Yours, etc.,
P. LIVINGSTONE ARMSTRONG,
1171 Fochy,
Switzerland.
June 19.

Point of qualification

From Mrs Betty Byers Brown
Sir, Why, I wonder, was speech therapy selected as an example in your second lesson, "Jobs for the future" (June 12)? The mention is singularly infelicitous since it reflects ignorance of the subject, the prerequisites for its study and the fact that the majority of its practitioners are female. There is no need to dwell on the male chauvinistic element, which is trivial, but the other errors should be corrected.

The intellectual content of a course leading to a licence to practise as a speech therapist needs to be high as consideration of the nature of speech will show. Speech is not a simple act; it is a complex act subserved by a number of physiological and psychological processes. In order to understand the nature of speech breakdowns and ameliorate its effects students must be equipped to understand the nature of these processes and the linguistic rules of the community in which we live. It is therefore fitting that they are now able to study alongside students of other disciplines which require diagnostic skills and social judgment, for example, medicine.

We are fortunate in being able to recruit students who have no difficulty in obtaining the three good grades at A level, which entitle them to enter for a course of study leading to a licence to practise. We are equally fortunate in being able to persuade good graduates to enter a profession where there is a major demand for their services; a profession which is subject to considerable emotional and intellectual demands and which still suffers, as you leader showed, from misunderstanding as to its nature and the nature of the handicapped population which it serves.

Yours faithfully,
BETTY BYERS BROWN,
Department of Audiology and Education of the Deaf,
The University,
Manchester.
June 19.

LETTERS TO THE EDITOR

Keeping the balance in defence spending

From General Sir David Fraser
Sir, Few days go by without the public, or your readers, being addressed on the importance of the Royal Navy, in anticipatory protest at forced reductions in spending on that service. I agree with the general line taken, although a few of the arguments used are, I believe, unconvincing in modern conditions. But they do not persuade the more who suggest that the defence of Europe on land is a less essential priority for this country.

Lord Mottistone, for instance, (June 23) asks whether we are making the best contribution to Nato by spending "over 40 per cent of our annual defence budget in helping defend 40 miles of the German central front and the central region directly" with the implication that compared to the value of the Navy this is a waste of money. Others have suggested that, in war, a Soviet European offensive, because of a highly mobile, and likely to be the attrition of merchantmen carrying essential supplies; again, the implication is that if we look after the sea the land will look after itself, or be looked after by others.

Unfortunately, this is not so. We have been here before disastrously. The policy of deterrence requires a strong conventional defence capability in Europe, just as it requires a strong nuclear balance, and the protection of transatlantic traffic. And the defence of Europe is the defence of Britain - but more economically discharged than by latter-day attempts to make an island fortress. It is a direct British interest to contribute to this defence capability in Europe, both in terms of assisting to prevent aggression, because of a failure in Europe would immediately reduce the home front risk. As to the argument that the Soviet Union could attain an object with less hazard by maritime action and by standing fast on land - it might be the object of a compelling strategic, economic, ideological - are on land, and I do not find the scenario of an armed truce in Europe while the Soviet navy threatens us all by widespread sinking and air attacks, compelling one. Nor is it inexpensive: the European nations, including our own, could hardly fail to maintain or strengthen their guard against invasion, the confidence that the Soviet Union had decided to play a different game.

It has been a recurrent dream of British Governments in the past that Britain could "eat à la carte" in the matter of the continental commitment of the Army and the sort of Army that commitment implied. The dream has been twice shattered in living memory with frightful danger ensuing, and with nation and army helped into aggression.

Since 1949 we appear to have

learned the lessons of history, at least more than hitherto. It would be tragic if, in a perfectly understandable search for sharper priorities when resources are scarce, champions of land or maritime capability thought to find advantage in disparaging the importance of the other. It is an uncomfortable truth that when times are dangerous Britain needs both and has, therefore a prime interest in a contribution to both sufficient to ensure significant influence in the councils of the Alliance.

Yours faithfully,
DAVID FRASER,
Vallendar,
Isington,
Alton,
Hampshire.
June 23.

From Rear-Admiral Morgan Giles
Sir, Captain Stephen Roskill probably has a better perspective about naval matters than anyone else in the country. So it is not to be expected that his arguments (June 22) against cutting the surface fleet would be absolutely compelling.

However, I do not agree with his emotional remarks against Mrs Thatcher and her Government. There is a genuine dilemma to be solved over defence expenditure; and in any case it always seems to me irrational to vote for (or against) a party on any one single issue, however important.

Admittedly Royal Navy ships, like so much defence equipment, have become excessively sophisticated and expensive; they are in my experience usually over-manned; the royal dockyards are in no way cost-effective, etc. But the true cost of defence (all three Services) has been squeezed and fudged by successive governments, and the result is now wrong to face up to the problem now.

However, one must question the wisdom of proposals to cut an already existing surface fleet, and apparently replace it by building more very sophisticated and very expensive "hunter killer" nuclear submarines. This plan seems to take us back to the disastrous 1957 White Paper all over again. Surely Mr Keith Speed should not have been sacked for pointing this out.

The crucial matter is to possess balanced forces, and a balanced fleet, which can deal with small incidents wherever and whenever they occur, and prevent them becoming large crises. In other words the defence forces must be suitably equipped for preventing wars - not solely for fighting them.

Yours faithfully,
MORGAN GILES,
Upon Park,
Surrey.
June 23.

reinforce one's arguments. Of course we're all in favour of freedom. ("Why else did we fight the last war?" etc). But there are many accepted areas of our life in which my freedom of action is rightly curtailed if it can be shown that I might damage yours. This is the essence of the matter. The Headmasters' Conference and other interested apologists should show a good deal more awareness and sensitivity.

Leaving aside the whole matter of whether public schools perpetuate, albeit inadvertently, deplorable social divisions, let us concentrate on the purely educational aspect of the question as it affects the nation as a whole. I know that state education is ill-funded and operates in conditions woefully inferior to those enjoyed by the private sector. I believe that the very existence of the public schools contributes to this and am confirmed in this belief by the lack of urgency betrayed by their products working towards a fairer deal for the majority. Therefore, and with some reluctance, I conclude that Mr Fisher's "freedom of choice" is highly questionable if not downright bogus.

I join him in hoping that we never become "the only country in the free world in which it is illegal to run a private school". Will he in return devote some of his energy and enthusiasm towards improving the present situation, in which we are the only country in the free world whose state education is so markedly in comparison with the privileged minority interests?

Yours faithfully,
RODNEY DINGLE,
Hope Cottage,
Higher Shapter Street,
Topham,
Exeter.
June 11.

From Mr Rodney Dingle
Sir, As one who taught for over 17 years in a public school and who for the past 10 has been teaching in a good West Country comprehensive, I read Frank Fisher's energetic defence of the private sector today (June 11) with special interest. I share his distaste for recent left-wing proposals for outright abolition, but I do not believe he serves his cause by scare-mongering about the responsibility for children's upbringing might "pass from the parents to the state" and that the child might become "the creature of the state".

Public schools have a long and on the whole honourable history; but social circumstances change, and it seems to me that apologists for the private sector ought to take more cognizance of the growing weight of informed opinion which is leading to the abolition of state school. What of "freedom of choice"? I am so glad Mr Fisher did not raise that hoary, insulting false antithesis between those parents who save their money to give their children a good education and the irresponsible types who prefer large cars and holidays abroad. We both know that many of his clients have the least of the holidays while the huge majority of state school parents have neither. There is actually a certain amount of freedom of choice within the state sector, but as much as one might wish to see more choice than those who talk of "grey monotony" and "state-controlled uniformity" would have you believe. Furthermore, there is a wide and often stimulating variety between schools within a given area or authority. But in this most important question of liberty it is fairly easy to be selective in the facts one chooses to

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June 11.

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RODNEY DINGLE,
Hope Cottage,
Higher Shapter Street,
Topham,
Exeter.
June 11.

Strain on charities

From Major General R. B. Loudoun
Sir, Nicholas Blincoe's letter (June 19) was timely and will be welcomed by charities generally.

Charities today are big business, handling in excess of £2,500m annually. For effective stewardship they must, like any business, employ professional staff and work with reasonable working conditions and equipment. This costs money and with current inflation it is difficult to prevent overheads becoming an increasing percentage of a charity's income.

Despite the recession those who fund charities continue to be generous and responsible in their giving. A growing number of

commercial organizations support charities in kind rather than in cash. Premises, office machinery, furniture, printing and even staff provided in kind are all of immense value to a charity and help significantly to cut its overheads. Would that more companies should help in this way.

Last I be misunderstood, may I pay tribute to the vast number of people in this country who give their time unstintingly to charitable work. Without them the money raised would be sterile.

Yours faithfully,
BOB LOUDOUN,
Director, Mental Health Foundation,
8 Hallam Street, W1.
June 19.

Unprotected Giotto's

From Mr James Watson
Sir, On a recent visit to the Scrovegni Chapel in Padua I was dismayed to see avoidable damage to what must rate among Europe's greatest masterpieces. The chapel contains frescoes by Giotto and is rightly a mecca for lovers of Renaissance art.

Unfortunately the chapel's treasure is not, in my view, protected as it ought to be. A heavy wooden door leads directly into the chapel. With each opening of the door, in leaps the Italian sunshine (blest it) and cuts like an axe down the frescoes nearest the entrance. The result is considerable fading, indeed such fading that soon the images will not be discernible.

The counter staff in the Scrovegni have obviously grown weary of reminding visitors to close the door behind them. Thus for long periods

the door is left wide open. It is astonishing that such a treasure house does not even have a notice on the door requesting the public to close it; worse still, the door does not have a handle on the outside - so 90 per cent of visitors, when leaving, make no attempt to close out the destructive sunlight.

The Scrovegni Chapel is not a very distinguished piece of architecture and its simple facade would not be spoiled by the erection of a porch to protect the Giotto's from further assault.

May I, through your columns, appeal to responsible authorities in Italy to take action before at least two of the Giotto frescoes are sunshined into oblivion?

Yours truly,
JAMES WATSON,
Flat B2, Vale Towers,
28 London Road,
Tunbridge Wells,
Kent.

Beyond the pale at Wimbledon

From Mr Donald Paterson
Sir, Any sport whose rules and tournament organization permit a player to insult publicly a senior official without disqualification must be in need of reform.

It would not happen in football. Why should it be permitted in tennis?

Yours sincerely,
DONALD PATERSON,
The Little House,
Lingfield Road,
East Grinstead,
West Sussex.
June 23.

From Mr E. A. Simonis
Sir, Watching the McEnroe match on television was obvious without doubt that some of the linesman's decisions were wrong. Whilst not excusing his behaviour, it does give some confirmation of my conclusion is that the linesmen are too near the ground for the best view, and though probably not needing to be as high as the television cameras, my suggestion is that each should be placed on a small platform, possibly only nine to 15 inches in height. Such a proposal does not interfere with the rules of the game and if it prevents only a few of the worst scenes (report, June 23) it would be well worth a trial.

Yours faithfully,
E. A. SIMONIS,
14 Fraycott Avenue,
Kenton,
Middlesex.
June 23.

From Miss D. K. M. Kirkpatrick
Sir, You disgust me. Evil and outrageous activities appear to guarantee the perpetrator his photo on your front page (latest example McEnroe, in duplicate June 23). Are you really so stupid as to place responsibility that you and the rest of the media bear, by this publicity, for the present lamentable decline in social behaviour? Equally, publicity given to IRA activities amounts to a tacit encouragement.

Yours truly,
D. K. M. KIRKPATRICK,
Moorside,
Cricket Hill,
Yateley,
Hampshire.
June 23.

The Midas touch

From the Director General of the Royal National Institute for the Blind
Sir, We were sorry to hear of Mrs Myerscough's mother's difficulties (letter, June 19) with her bank notes and have sent her the Royal National Institute's little gauge (free to blind people from the address below).

The gauge is a convenient way of measuring the size and therefore the value of bank notes. The Bank of England does consult RNIB about currency design, and British bank notes (unlike for instance, US currency) differentiate value by size.

Yours faithfully,
E. J. VENN,
Royal National Institute for the Blind,
224 Great Portland Street, W1.
June 19.

From Mrs I. A. Richards
Sir, I was interested in your Netherlands suggestion (June 19) of raised dots on some guilder notes for the blind. I have bank notes and have sent her the Royal National Institute's little gauge (free to blind people from the address below).

The gauge is a convenient way of measuring the size and therefore the value of bank notes. The Bank of England does consult RNIB about currency design, and British bank notes (unlike for instance, US currency) differentiate value by size.

Yours truly,
D. K. M. KIRKPATRICK,
Moorside,
Cricket Hill,
Yateley,
Hampshire.
June 23.

'Queen's corporal'

From Mr J. H. Moore
Sir, Doubtless the regret expressed by Colonel Naylor (June 22) at the absence of the rank of Queen's corporal will be tempered for the many other old soldiers he mentions by their delight in seeing this legend revived once more, especially when it has been reassured by a national (no less) in the columns of The Times.

Those who will not share this joy will be the many editors of regional magazines and Sunday newspapers who will probably be faced with the task of depicting this myth "once and for all" but not unthinkingly.

Yours faithfully,
JAMES H. MOORE,
5 Chestnut Road,
Oxford Road,
Arlington.
June 23.

Fabulous performances

From Mr Ronald Hooberman
Sir, I see advertised in The Times today (June 20) a forthcoming recital to be given at the Royal Albert Hall by Sviatoslav Richter, "the legendary pianist".

Future attractions, perhaps Orpheus on lyre (acc. Edgely) and, as a change from 18th c. fireworks, Nero fiddling while Rome burns? What chance an Arts Council grant?

Yours etc,
RONALD HOOBERMAN,
14 Rodwell Street, NW1.

Ancient and modern

From Mr J. T. Newton
Sir, Although The Times has been resting, I'm glad it still has some affinity with ancient standards now revived. And even "Sundays after Trinity" I feared The Times would head the assault.

May I, through your columns, appeal to responsible authorities in Italy to take action before at least two of the Giotto frescoes are sunshined into oblivion?

Yours truly,
J. T. NEWTON,
Croindene,
5 Battedown Drive,
Cheltenham,
Gloucestershire.
June 20.

Business News

THE TIMES June 25 1981

Ironfounders' battle to survive, page 21

Setting a price for money, page 21

Stock markets
FT Index 548.4 up 3.9
FT Gilt 66.24 down 0.24

Sterling
\$1.9800 down 190 points
Index 95.6 down 0.5

Dollar
Index 107.9 up 0.3
DM 2.3757 up 185 pts

Gold
\$461.50 down \$4

Money
3-mth sterling 124-124
3-mth Euro \$ 174-474
6-mth Euro \$ 174-164

IN BRIEF

Sterling drops sharply

The pound fell steeply against a strong dollar on foreign exchange yesterday, dropping 190 points to close in London at \$1.98. It also lost ground against Continental currencies including the Deutsche mark, and its trade-weighted exchange rate index slipped 0.5 to 95.6.

The dollar gained 1.85 pence on the Deutsche mark, which was weakened by renewed concern over Poland and dragged down by a depressed French franc after the appointment of four communist ministers in the new government. It ended London trading at DM 2.3757.

Despite significant Bank of France intervention and interest rates on franc deposits as high as 23 per cent, the franc slumped close to its floor against the Deutsche mark with the European Monetary System. The principal beneficiary of capital outflows from France was the Swiss franc which touched its highest levels against the German and French currencies since autumn 1978.

Money meeting off
The meeting called by the Prime Minister with leading monetarist economists, supporters of changes in Government monetary policy, will not take place today as expected. Professor Alan Meade, from the United States, who was to have joined economists from the City University Banking Centre and Professor Alan Walters, Mrs Thatcher's special economic adviser, could not attend.

ECI investment
Equity Capital for Industry has invested £958,000 in a new company, Castleridge Investments, formed to buy RPC, the Southampton-based makers of potato crisps and biscuits. ECI's investment is through a consortium led by Barclays Development Capital and includes Prudential Assurance.

Satellites denial
British Telecom and British Aerospace have denied reports published yesterday of discussions with IBM of America about forming a consortium to launch and operate a European business satellite. All parties acknowledge that talks have taken place, but deny that any partnership is envisaged at this stage.

South Wales jobs
Three Scandinavian companies are to set up factories in South Wales which will eventually provide 100 jobs. The companies make water-cooled engines, equipment, disposable hygiene products and goods in high quality stainless steel.

M & S textiles pledge
Marks & Spencer yesterday pledged its continuing support for the United Kingdom textile industry. About 200,000 jobs in the industry depend on M & S continuing investment, and more than 90 per cent of the company's fashion goods are made in Britain.

£1m Spode plan
Royal Worcester Spode is to invest £1m in a 30,000 sq ft development at Stoke-on-Trent, Staffs, incorporating potting shops and raw material storage space.

Summer coal boom
Coal sales are booming this summer thanks to price cuts introduced to help reduce electricity costs. The Solid Fuel Advisory Service says coal users can save £5 a ton on house coal and £7 on smokeless coal up to the end of July.

Aluminium output
Aluminium production totalled 1,066,000 tonnes last month compared with 1,067,000 tonnes in May 1980, according to the International Primary Aluminium Institute.

Wall Street lower
The Dow Jones industrial average closed 7.33 points down at 999.33. The S&P 500 was 1.15783. The £ was 0.582937.

Cash call of £17m to recharge flat Chloride

By Peter Wilson-Smith

Chloride Group, the world's leading rechargeable battery manufacturer, shocked the stock market yesterday by asking shareholders for nearly £18m at the same time as announcing a £32m turnaround from £18.7m profit to losses of £13.5m before tax.

Poor results had been widely expected after Chloride reported a £5.1m interim loss and passed its dividend last November and earlier this year dismissed its chief executive. The loss for the full year to March 31, which reached £22.5m at the net level, was only a little worse than feared. But the news of the rights issue, of 7.5 per cent convertible preference shares of £1 to raise £17.3m net, came as a complete surprise. Chloride shares tumbled from 34p to 26p at one point but later recovered to close at 27p yesterday.

Sir Alastair Pilkington, chairman, said that the company's results were appallingly bad by any standards but he denied that Chloride had been forced into raising capital by its bankers. Instead, the rights issue was being made at the company's initiative.

He said that during the financial year the financial position had been weakened, particularly by problems arising from the recession in Europe and the United States.

Development of a new type of battery to replace the traditional lead acid kind has reached an advanced stage at Lucas Industries, research centre at Shirley, West Midlands, Clifford Webb writes.

The All-Party Group for Energy Studies, comprising representatives from Parliament and organisations interested in long-term energy studies, were shown the nickel-zinc battery yesterday. Members were impressed with the possible impact on electric vehicle development by the Lucas-Chloride EV Systems Company, which is backed by a £5m Government grant.

Lead acid battery weight accounts for half an electric vehicle's weight. A light replacement would permit either a substantial reduction in weight or an increase in the 60 to 70-mile range between charges.

Although net borrowings had risen by only £1.8m to £94.4m, the ratio of net debt to equity was up from 78 to 100 per cent. The particular arrangements made to ensure adequate banking facilities were dependent on raising fresh capital.

Chloride expects another difficult year in 1981-82 as there is no sign of any recovery in trade. It also warns shareholders

that its ability to pay the first dividend, on the preference shares it is issuing, must ultimately depend on the company's trading performance.

The group's problems arose through a combination of the strong pound, high interest rates which pushed interest charges up from £12.3m to £14.6m, rising costs and the sharp drop in demand caused by the recession. Turnover fell from £386m to £352m, reflecting a one-tenth volume drop.

The worst problems have been in the United Kingdom, where demand for car batteries fell by 12 per cent and for industrial batteries by a quarter. Chloride's United Kingdom companies swung from a £15m operating profit to a £5m loss and the domestic workforce has been reduced by 1,900—a fall of nearly a fifth.

Chloride also suffered badly in America where it lost £4.4m compared with a £3.6m profit the previous year but the other overseas operations fared better and operating profits were only slightly down at £12.2m.

The rights issue has been underwritten by bankers Samuel Montagu and Kleinwort, Benson and the Bank of Montreal. Co. well-known for their ability to sell shares to institutions. Samuel Montagu said yesterday that the sub-underwriting had gone satisfactorily.

Financial Editor, page 21

Duport ends year with £58m loss

By Peter Wainwright

Duport, the steel and engineering group which yesterday reported after-tax losses of £58.2m for the year to last January, strongly attacked the Government for its treatment of private steel companies.

Mr Eric Sayers, the group chairman, said: "The treatment of the private sector of the United Kingdom steel industry has been nothing short of scandalous."

He added: "The effects of Government monetary policy on industry are well known but the particular effects of its massive subsidies to the British Steel Corporation together with its energy-pricing policies and the unwillingness to deal equitably with the rationalisation of the steel industry have brought Duport, together with other British steel companies, to the verge of bankruptcy."

The group sold its steel interests to the British Steel

Corporation for £22.5m and it felt obliged to close its electric arc melting plant at Llanelli, which was only commissioned in 1979.

Duport has also been forced into a capital reconstruction scheme which eventually could give the banks 30 per cent of the capital.

There is no dividend and the directors say that the group will probably not return to profit in this financial year. The decline in engineering has levelled off but the outlook for consumer products remains uncertain.

In addition to the sale or closure of the steel companies, Duport ran into a downturn in its business for the remainder of the year. Losses were suffered by all the metal forming companies. Costs have been cut and losses eliminated save in the foundries. The Greenwood furniture subsidiary is back in profit

despite a tough market but only the plastics businesses did well.

Duport's steel problems started with last year's British Steel Corporation strike into which the private sector was drawn. It was said to have cost the group £4m. After the strike demand slumped to less than half capacity. The strong pound encouraged imports and high energy costs coupled with high prices meant unsustainable losses.

Short of its steel activities, Duport is now left with 14 divisions whose activities include castings, forging, Slumberland beds, Greenwood Kitchens and Swiss curtain rails. It also has some valuable industrial land which it may have to sell. Even so, the board says it is considered unlikely that payments of dividends on ordinary shares will be resumed before the financial year 1983-84.

Financial Editor, page 21

Saudis warn Toyota of Arab ban

Tokyo, June 24—Saudi Arabia has warned Japan's top car maker, Toyota, that Arab countries may stop importing Toyota vehicles if the company forms a joint venture with Ford which does business in Israel, a Toyota official said here today.

He said the warning came during a meeting yesterday in Riyadh between Mr Sulayman Abdul Al-Sulayman, the Saudi Commerce Minister, and Mr Rokusuke Tanaka, the Japanese International Trade and Industry Minister. Ministry officials declined immediate comment.

Japanese reports from the Saudi capital, Jeddah, told Mr Tanaka the Baghdad-based Arab Boycott Committee would recommend a boycott on purchases of Toyota products because the Japanese company was negotiating a joint venture link with Ford, which produces cars in Israel.

The 22-nation Arab League in 1975 decided to boycott the products of any company that does business in Israel.

Last year, shipped 256,000 vehicles to the Middle East, including about 128,000 to Saudi Arabia, the second largest importer of Toyota cars after the United States.

The mass-circulation newspaper Asahi said the boycott threat was designed to deter completion of a deal between Toyota and Ford. The two companies have been negotiating for a planned joint production venture for small-size cars in the United States.

Quotas: The Japanese International Trade and Industry Ministry said it had set company quotas for car shipments to the United States this year and notified seven manufacturers, including Toyota, Nissan and Honda. No details were given.

But the Japanese daily Yomiuri Shimbun estimated Toyota's 1980 sales at 538,000 (563,000 last year), Nissan 356,000 (500,000), Honda 347,000 (372,000), Toyota 159,000 (174,000), Mitsubishi 114,000 (125,000), Fuji 70,000 (81,000) and Isuzu 17,000 (3,000).—AP-Dow Jones.

Defence boost for electronics profits

By Richard Allen

Two big defence electronics groups delighted the City yesterday with news of substantial increases in profits last year.

Racal Electronics lifted its pre-tax total from £51.4m to £73.2m in the 12 months to March 31. Over the same period, Ferranti, in which the National Enterprise Board sold its remaining 50 per cent holding £2m to £18.2m. Both groups have benefited substantially from heavy military spending worldwide on electronic equipment.

But a key factor in Racal's profits improvement has been a substantial turnaround at Decca, acquired for £106m early last year after a fierce takeover

battle with GEC. Decca's deficit was reduced from £12.2m to £2.4m and a Racal spokesman said yesterday: "You have seen the last of Decca's losses. Both groups were reporting results on the eve of a scheduled Commons statement from Mr John Nott, defence secretary, who is expected to outline proposed spending cuts."

Racal, however, relies on British Government orders for only 13 per cent of its sales, while Ferranti's main involvement in the multi-rolé Tornado combat aircraft project is not expected to be affected. Racal profits improvement has been helped by a 10 per cent increase in 1980 while Ferranti added 10p at 53p.

Financial Editor, page 21

Cooperative agency slimmed down

By Our Commercial Editor

The Cooperative Development Agency (CDA) has been restructured for three years, but will be slimmed down to promote expansion of the cooperative system and advise new cooperatives on getting off the ground.

The Department of Industry, subject to Parliamentary approval, plans to put up another £500,000 in aid on top of the £900,000 which by September will have been spent in the agency's first three years. The department had considered giving no further financial help and protective notices of dismissal went out to CDA staff.

Lord Oram told a CDA board meeting yesterday that he intends to retire as chairman of the agency at the end of August. At least one candidate with some links with cooperatives is being considered by the Department of Industry as replacement chairman, but the CDA board is also putting forward its own candidate.

Collins forecasts £4m profits

By Catherine Gunn

Scottish publishing house William Collins told shareholders yesterday to reject a 200p-a-share bid from News International. It forecast pre-tax profits of £4m for 1981 against £2.05m in 1980 and dividends 150 per cent higher, at 10.7p.

With Collins' shares at 233p yesterday, Mr Nott's offer is unlikely to succeed, and it has already said it could be content to remain the largest shareholder. It owns 31 per cent of Collins.

Yesterday Mr Ian Collins, the new chairman, said Collins might consider board representation for NI but the group was determined to remain independent.

Mr Robert Maxwell, of Pergamon Press, owns 9.3 per cent of the publisher. Collins does not expect a rival offer, but Mr John Smith, opposition trade spokesman and Scottish MP, claims Pergamon is seeking more shares and wants the NI bid referred to the Monopolies and Mergers Commission.

Whitehall may cut export services

By Donald Macintyre

Confidential proposals for reducing government services to exporting companies by cutting more than 10 per cent of British Overseas Trade Board staff are being studied by senior Whitehall officials.

The board will consider scrapping subsidies for group overseas export missions, reducing the number of overseas trade fairs and closing the British Export Marketing Centre in Tokyo, among a wide-ranging series of proposals for saving manpower.

Other options, some of which are certain to be strongly resisted by exporters, include ending the present Export Intelligence Service system of matching information on overseas markets to the individual needs of British companies, and an end to advice being provided by Government officials in regional centres.

Ministers privately warned the board in February that the Department of Trade overseas trade divisions would have to be prepared to reduce staff by 160 from 1,041 between April 1982 and April 1984.

A draft paper prepared for the board warns that, while substantial savings are possible, "reduction of the overseas trade service to the level required 'cannot be made without reductions in the services provided'."

The paper, marked "management in confidence," makes it clear that the effect of the listed proposals would be "greatly in excess" of the required savings, but adds that some suggestions "are mutually exclusive and others are likely to prove unacceptable."

The cuts are part of the overall reduction in Civil Service manpower sought by the Cabinet. Other options include passing to the private sector technical work on overseas exhibitions; reducing the "advisory" role of the visible exports section; curtailing work by international science and technology agreements; and withdrawing support for overseas seminars and symposiums.

The possibility is also envisaged of selling the present product data store, which the paper says is a valuable source of product and industry-based overseas market information and was used on 2,000 occasions by officials during 1980.

The paper says that it is becoming increasingly difficult to sustain the Tokyo marketing centre at full capacity. The centre mounted six displays in the last year at a cost of £475,000. Savings achieved by streamlining administration, the paper says, would cut 50 jobs. But the paper takes a negative view of cuts in the regional advice service, the Export Intelligence Service and the transfer of technical work on trade fairs, which, if implemented would lose up to 190 jobs in all.

The Council of the Institute of Export, which represents exporting companies, may be asked to consider options on the Government's proposed cuts. Mr David Royce, director general, said yesterday that cutbacks would be opposed.

He believes it is right for the Government to channel its exporting companies information advice which they are uniquely able to provide, because of the access of the diplomatic service and missions overseas. It is the new view, he says, that the service cannot really replace by the private sector.



Mr Ali and Mr Riffen at the signing yesterday.

Iraq and Britain sign five-year trade pact

By Rupert Morris

A five-year trade agreement with Iraq, the fastest-growing market for British goods in the Middle East, was signed yesterday in London by Mr John Biffen, Secretary of State for Trade, and Mr Hassan Ali, the Iraqi Trade Minister.

Iraqi Government sources said trade would not be affected by the war with Iran, and Mr Ali denied that the agreement provided for any British help in rebuilding the nuclear power station destroyed by Israeli jets.

But the signing of a trade agreement with Iraq soon after the British Prime Minister's condemnation of the Israeli attack is bound to be seen as a pro-Arab move by the British Government.

The agreement, which is the result of a year's discussion, provides for the establishment of a joint commission to promote trade contacts, exchange of technical information, and settle any disputes.

British exports this year are expected to be worth about £500m. British companies with stable contracts include John Laing International, with a road scheme for Baghdad (E66m), Patterson Candy International with a water treatment plant for Baghdad (E54m), and John Brown Engineering, supplying gas turbines (E34m).

Britain has had a long-standing trade deficit with Iraq because of oil imports. Last year the United Kingdom imports totalled £533m against £322m worth of exports. The agreement is expected to provide new export opportunities in agriculture, electric power, medicine, steel, oil, petrochemicals, housing, water and sewerage works and transport and communications.

Business counselling to expand

By Derek Harris

Counselling of small companies by practical businessmen, part of the Department of Industry's Small Firms Service, has proved so successful in creating or saving jobs at low cost that it is being expanded.

If sufficient businessmen of the right calibre are available, the present counselling strength of about 130 could near 200 in the new national service operated from 11 regional headquarters.

The striking point about the counselling service is its cost effectiveness. Mr John MacGregor, Permanent Under Secretary of State for Industry, said yesterday: "He announced that spending on the Small Firms Service would rise this fiscal year by £1m to a total of £2.8m."

A research study showed that the cost of creating or saving jobs through the service was less than £200 per job. This compares with several thousand pounds per job for other forms of job creation.

The survey estimated that the Small Firms Service's counselling arm saved or created at least 3,500 jobs in the past financial year.

Of the 100,000 inquiries last year, some 10,000 went for counselling. The first session is free and subsequent ones will cost £15 a session, with ten sessions normally the maximum.

Mr MacGregor believes the counselling service would be better used if its value as a business management advisory service were more fully appreciated. "Its image is not good, because people assume the service is dominated by civil servants," he said. But the survey, by Research Associates, had shown that it was operating extremely effectively.

There were signs that the counselling service was getting overloaded, with a near doubling of cases so far. Group sessions for start-up cases were now being considered to ease the workload. But Mr MacGregor would also like the service, which deals primarily with businesses employing 25 people or less, to start looking at larger concerns.

Thomas Warrington & sons Ltd

Summary of results to 31 December 1980

- Final dividend increased by 50% making total for the year of 4.7346p per share
- Order book at record level • Improved liquidity
- The company is in a strong financial position

	1980	1979
Turnover	£9,096,208	£7,736,346
Profit before tax	£333,622	£306,995
Taxation credit	(£226,969)	(£50,613)
Profit after tax	£506,591	£357,608
Final dividend (per share)	3.5709p	2.3866p
Earnings (per share)	18.65p	11.90p
Shareholders funds	£2,134,922	£1,716,653

The Annual General Meeting of the Company was held at Chester on 24 June 1981. Copies of the Report may be obtained from The Secretary.

Thomas Warrington & Sons Ltd
General building and public works contractors
PO Box 26, Rossmore Road East, Ellesmere Port, South Wirral L65 3AJ

HICKING PENTECOST & CO. LIMITED

Preliminary Figures

Results for the year ended 31st March 1981

	1981	1980
Sales	£11,351	£10,528
Exports	2,684	1,640
Group profits before tax and extraordinary item	395	475
Knitted Outerwear	(91)	400
Dyeing and Finishing	304	744
Total of continuing operations	304	875
Warp Knitting Manufacture	—	(131)
Group profit after taxation	179	714

Extraordinary item—provision for closure costs of Warp Knitting Manufacture

Earnings per stock unit	7.01p	27.98p
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DIVIDENDS
Interim 2.0p 3.2p
Proposed final 4.0p 5.8p

Total for the year 6.0p 9.0p

Annual General Meeting Thursday 10th September 1981

Waterways' cash shortage threatens closures

£108m needed to make canals shipshape

By Peter Hill, Industrial Editor

A growing backlog of maintenance work is threatening Britain's inland waterways, unless the Government provides substantial additional funds, further sections of the canal network will have to be closed on safety grounds.

The British Waterways Board today will deliver a tough warning to the Government that adequate finance is essential to permit the board to carry through a sensible programme of civil engineering works to meet its legal obligations.

In its latest report and accounts, which are heavily

qualified by the auditors, the board revealed that total arrears of maintenance on canals, reservoirs and bridges for which it is responsible will cost an estimated £108m.

Most of the backlog is for work on the commercial and cruising waterways, where the estimated arrears of maintenance stand at an estimated £91m; on repairs to bridges the board believes that it needs to spend about £10m to meet prestatutory requirements; with a further £7.4m considered necessary for improvements to reservoirs which fall under its supervision.

In its report, the board said that the reduction of the Government grant "last year was the main factor which influenced the decision to curtail its planned maintenance programme. It is now 11 years since the deterioration of the network was highlighted in a report to the Government and the board's assessment was endorsed six years later by independent consultants."

The board said it was increasingly concerned that recommendations made three years ago by the former Select Committee on Nationalized Industries, which investigated the

board's affairs, had not been implemented.

Last year, British Waterways received Government grant-in-aid totalling almost £23.5m to "maintain a loss on its trading operations of £26.1m. Its freight business experienced a 6 per cent drop in the tonnage handled, reflecting the effects of the recession.

Ironically, continuing crisis on Britain's canals has coincided with a boom in their use. The Board said that more boats were using the waterways last year than at any time since the canals were first constructed.

PRICE CHANGES

Rises

Arch-Latham	10p to 330p	Racal Elec	3p to 383p
Fice Rentals	40p to 112p	RIT	11p to 268p
Ferranti	10p to 535p	Salsbury J	12p to 419p
Ldn Sumatra	25p to 375p	Thorn EMI	14p to 400p
Peko Walced	15p to 480p	Utd City Merc	3p to 40p

Falls

Barclays Bank	7p to 426p	Harrison Cross	12p to 325p
BP	91p to 312p	Lloyds Bank	7p to 320p
Chloride	7p to 27p	Midland	7p to 320p
Duport	34p to 26p	Moss Bros	5p to 145p
Halma	6p to 108p	Powell Duffryn	13p to 273p



About-face on nuclear fuel cartel

The Canadian Government is considering whether to prosecute on anti-trust grounds Canadian uranium companies that participated in an international cartel. The government encouraged the companies from 1972 to 1975 to take part in the cartel, which supported the price of nuclear fuel in those years.

But Canada has had a lengthy battle in the American courts over legal actions arising from the cartel, in which American companies also participated.

Now there are new legal complications and some embarrassing political problems for M. Pierre Trudeau, the Prime Minister, who also headed the government that encouraged the cartel.

\$107m port project

A French consortium led by Societe Generale d'Entreprise pour les Travaux Publics et Industriels has won a contract worth approximately £1,200m (about \$107m) for the design and construction of a port at Damiette, on Egypt's Mediterranean coast.

US interest rates

Mr. William Butcher, Chase Manhattan Bank chairman, said yesterday that he expects the United States will continue to see relatively high interest rates over the next few years. He also expressed doubt over the possibility of the United States returning to the gold standard.

External debts rise

The total external debt of all developing countries from all sources increased to \$456,000m (about £229,549m) last year from \$393,000m in 1979, and \$36,600m in 1977, according to estimates released yesterday by the Organisation for Economic Co-operation and Development.

French retail prices up

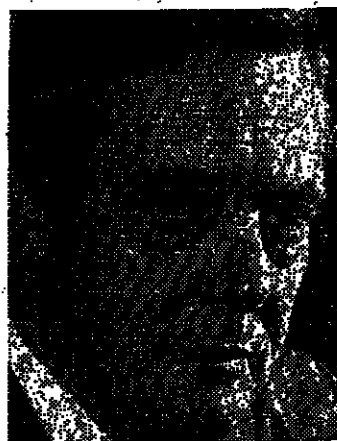
French retail prices rose 0.9 per cent in May after a 1.4 per cent April gain, keeping the year-on-year increase unchanged at 12.7 per cent, the National Statistics Institute said.

Bahrain share deal

Bahrain will acquire a 60 per cent share in the local branch of Britain's state-owned Cable & Wireless, a government statement said.

Reagan initiative on foreign investment

From Frank Vogt, Washington, June 24



Mr. William Brock.

The General Agreement on Tariffs and Trade (GATT).

Mr. Brock said he was doubtful of the value of creating a new organization, a GATT for investment, but it was an idea that would be considered.

The development and co-ordination of a clear and positive United States policy on international direct investment is critical to maintaining our leadership role in promoting and facilitating the flow of trade and investment, he said.

Mr. Brock, who has held assorted positions in the United

States Trade Office since 1975 said he would be involved in the investment policies of the Export-Import bank.

"We have an international credit war today," he said. President Reagan had specifically given Mr. Donald Regan, the Treasury Secretary, responsibility for discussing export credit issues with the French.

The West Germans, the Swiss and others, have negotiated bilateral investment treaties and the United States had a lot of catching-up to do, Mr. Brock said. He observed that developing countries could benefit the most from large private investment flows, but private companies would want assurance on such issues as dividend repatriation, expropriation and national treatment, and the United States would try to negotiate treaties that took these factors fully into account.

Within one or two months, a detailed American proposal will be made to Egypt for a treaty as the first precedent-setting, type of bilateral investment pact. Mr. Brock said that the United States was now spending more than \$100m (\$50.5m) a month on aid to Egypt and it would be better if more of the flow of funds came from the American private sector. He believed the Egyptians would welcome this.

EEC presses ahead on oil sharing plan

From Peter Norman, Luxembourg, June 24

EEC energy ministers today agreed to press ahead with work on a scheme to share oil stocks at times when a sudden and small shortfall in crude oil supplies might otherwise upset markets.

The idea, to work out procedures for a sub-crisis mechanism on the oil market, was first suggested after the outbreak of the war between Iraq and Iran last year. It would apply before emergency action by the International Energy Agency (IEA) could be triggered by a drop of 7 per cent in supplies.

At the meeting, Mr. David Howell, Britain's Secretary of State for Energy, said the present oil glut should not encourage complacency. He told fellow ministers that Britain was interested in improving the effectiveness of sub-crisis measures to prevent a repetition of the nightmare of 1979 when a slight tightness in oil supplies produced a price explosion.

But he also warned against the EEC trying to set up a mechanism on its own. Any arrangement should extend to all countries, including the United States and Japan, and should

complement measures agreed in the IEA, he said.

Viccount Edmond Davignon, the EEC commissioner responsible for energy, said the Commission might submit proposals on a sub-crisis scheme in the autumn. But he appeared to harbour doubts as to whether the Reagan administration could be won over to support such a scheme inside the Community. West Germany has been taking a sceptical line on sub-crisis proposals, arguing that initiatives should be made through the IEA.

Japanese oil exploration companies plan to spend \$12,000m (£5,900m) this decade to boost oil production from development projects in Japan and overseas and to find new deposits, Japan's Petroleum Mining Federation said yesterday.

It was planned to develop, mainly as joint ventures, fields in South and North America, the Middle East, China and the Soviet Union as well as Japan by 359,000 barrels per day to 799,000 barrels by 1990.



Giveaways' runaway success

By David Hewson

Giveaway newspapers and free local directories are now Britain's fastest-growing media, according to figures published by the Advertising Association yesterday.

While the United Kingdom's total advertising expenditure rose from £2,137m in 1979 to £2,562m last year, leaving the 1980 figure well below the level achieved in 1973 in real terms, free newspapers and directories prospered both in revenue and the growth of titles.

The Thomson Organization which lost the Post Office Yellow Pages contract in 1979, expanded the local directories market by introducing a new publications series distributed through every door in selected areas.

Though the Thomson move has yet to reach its peak, it helped spending on local directories to increase in current

TOTAL ADVERTISING EXPENDITURE BY MEDIA

Media	£m	1978	1979	1980	Percentage of Total	1978	1979	1980
Press	1238	1504	1684	67.4	70.4	65.7		
Television	482	471	692	26.3	22.0	27.0		
Poster & Transport	68	93	114	3.7	4.4	4.5		
Cinema	13	17	18	0.7	0.8	0.7		
Radio	35	52	54	1.9	2.4	2.1		
TOTAL		1834	2137	2562	100	100	100	

price terms by 32 per cent, from £62m in 1979 to £82m last year.

The growth of the free sheets was even more spectacular. The sector increased its advertising income by 58 per cent, from £53m to £84m, with an equally rapid rise in the number of titles.

After a long period of relative obscurity in the backwaters of the Press world, free sheets have acquired a dramatic commercial

respectability in the last five years. A decade ago, free sheets took £3m in advertising, almost a twentieth of the amount spent on weekly newspapers. Last year, the free sheets' income was only a little under half of the £178m received by the paid-for weeklies.

Yesterday's figures are certain to confirm the growing trend among major provincial groups to move into free news-

papers. They will also lessen some of the surprise surrounding the recent announcement by Free Newspapers, an Oxford-based group which is a leader in the giveaway field, that it intends to produce a national paid-for Sunday newspaper.

The Advertising Association said that the recession had depressed overall advertising expenditure during 1980, though not to any great extent. But it did have a remarkably different impact on display and classified advertising. Display rose by 11 per cent in real terms, while classified fell by some 13 per cent as a result of a more than 30 per cent fall in the volume of recruitment advertising.

Spending on national newspapers rose by 22.77 per cent to £426m, and the income of the television companies increased from £471m to £629m.

Business appointments Managing director at Texaco

Dr. William Doyle has been appointed managing director of Texaco Ltd with effect from July 1. He takes over from Mr. Jim Williams, who is moving to a post with Texaco Inc in the United States.

Mr. Kerry St. Johnston will succeed Sir Ronald Swayne as chairman of Overseas Containers (OCL) in mid-1982. He was deputy chairman of OCL and a director of Ocean Transport Trading before leaving for a banking appointment in Singapore in 1978, and will replace Mr. Swayne as managing director next January.

Mr. S. J. Jewson becomes a non-executive director of Tescat. Mr. Frederick Pearce has been made service director of Cienega.

Mr. Geoffrey Pearce has been appointed head of group development at Ellerman Lines.

Mr. R. J. Taylor is to be managing director of MABE Bermuda (Far East) the Hong Kong subsidiary of Midland and International Bank.

Mr. John Briggs becomes chairman of Williams & Jones (Engineers) in place of Mr. David James, who remains on the board as a non-executive director.

Mr. David Walters has been made managing director of the fractional horse power and ceiling fan motor division of Brook Croston Packaging Motors and Co. of Crumpton, Parkinson, Motors (Doncaster), succeeding Mr. Dennis Waddington, who has retired.

Mr. R. D. Gill is to succeed Mr. Leslie Garrett as chairman of Anover Insurance.

Mr. Keith Lewis and Mr. Jeremy Caley have joined the board of City & Commercial Communications.

Mr. D. M. Austin has become marketing services director of Bass.

Mr. Brian Jervis has joined the board of John Gove.

Mr. Geoffrey Moore, former chairman of Vauxhall Motors, has been elected president of the Society of Motor Manufacturers and Traders.

EDITH's Record Business

At the Annual General Meeting of Estate Duties Investment Trust PLC on 23 June, the Chairman, Viscount Caldecote said:

"For the third year in succession we have invested a record sum in new business. We acquired unlisted shares in 29 companies, including eleven new customers. Investments in five of the companies were made by share exchange."

Resolutions were passed declaring a final dividend of 1.5p net per share, making a maintained total of 2.3p on a share capital increased by last year's 1-for-10 capitalisation issue, and approving a further 1-for-25 capitalisation issue for the year. At an Extraordinary General Meeting immediately afterwards, new Articles of Association were adopted.

Net Revenue before Taxation rose from £2,979,000 to £3,197,000 in the year to 31 March 1981. The Chairman's published statement included the following points:

- * So far the Trust's income has not been seriously affected by the recession.
- * It would be the intention of the Directors to recommend a maintained rate of dividend on the increased capital in the absence of a deterioration in the portfolio's earning power.

ESTATE DUTIES INVESTMENT TRUST PLC an approved Investment Trust, managed by I.C.F.C., purchases minority stakes in unlisted companies, enabling shareholders to raise sufficient cash to meet tax and other personal liabilities without having to sell control.

Copies of the Report and Accounts and further information are available from the Secretary.

EDITH ESTATE DUTIES INVESTMENT TRUST PLC
31 Waterloo Road, London SE1 8XP. Telephone: 01-928 7822.

Extracts from the Report of the Committee and Statement by the Chairman at the 114th Annual General Meeting held in London on 23rd June 1981.

OTTOMAN BANK

Incorporated in Turkey with Limited Liability

Mr. Allan in London and Monsieur Dupéron in Paris, both former General Managers of the Bank, do not seek re-election this year. Mr. Allan joined the Bank in 1931 and has been a Member of Committee since 1966. Monsieur Dupéron joined us in 1949 and was elected Member of Committee in 1956.

TURKEY

As you all know, there were major political events in Turkey last year. In September, following the deterioration of the internal situation, the National Security Council under General Kenan Evren assumed power and set up a new Government under Admiral Ulu. The measures taken by the Authorities have led to a remarkable improvement in law and order.

On the economic front, there are also encouraging signs: the rate of inflation is slowing and exports are improving. Nevertheless, the balance of payments deficit reached a record figure in 1980. This deficit was covered by sizeable credits obtained abroad. Further lines of credit are currently being negotiated.

Our branches have continued to expand, particularly in the financing of foreign trade. One new branch was opened in 1980 and we are in the process of opening fifteen more.

Our 1980 profits from Turkey have been recently transferred.

HOTEL COMPANY, ISTANBUL

We reached agreement with the Wagon-Lits group and the Hotel was re-opened on 31st October last. On the basis of the first months' business, we expect very satisfactory results from the new management. Our subsidiary made a heavy loss in 1980, since the Hotel was closed for ten months. The international arbitration proceedings against the Intercontinental Hotel Company continue.

SOCIETE NOUVELLE DE LA BANQUE DE SYRIE ET DU LIBAN

In difficult conditions, the Société Nouvelle de la Banque de Syrie et du Liban, has had a satisfactory year. The balance sheet total at 31st December 1980 exceeded, for the first time ever, a billion Lebanese Pounds. The net profit, amounted to about LL 8,428,000 against about LL 3,675,000 in 1979. On these results, LL 36 per share will be distributed.

BANK OF TEHRAN

There has been no progress towards any compensation for our shareholding in the nationalised Bank of Tehran. The Committee continue to follow this matter closely.

BALANCE SHEET

In 1980, the accounts of the Bank were once again affected by adverse currency fluctuations. However, as a result of the substantial increase, in local currency terms, of our business in Turkey, particularly in the field of foreign trade, the reduction in our Balance Sheet total amounted to only £20 million compared with the end 1979 figure.

PROFIT AND LOSS ACCOUNT

Our Turkish profits reflected the progress of our business in that country and the balance available for transfer amounted to £600,000, the same as in the previous year.

Our income arising outside Turkey shows little change from that of 1979 but the latter included a significant exceptional profit arising from the sale of part of our shareholding in Société Nouvelle de la Banque de Syrie et du Liban. In fact, mainly because of the high rates of interest generally prevailing, the income from our investments and deposits has shown an increase, in local currency, more than sufficient to offset the fall in the value of the currencies concerned against Sterling.

After providing for tax and constituting necessary provisions out of revenue and reserves, the profit of the year amounted to £2,423,542, down by £323,995 on the result for 1979. After deducting the 1980 Turkish profits awaiting transfer and taking in £779,355 in respect of the 1978 and 1979 Turkish profits received during the year, the Accounts at end 1980 show an amount available of £2,633,480 including £30,583 brought forward from 1979. To protect Shareholders against the uncertainties in the international economic situation the Committee have deducted an amount of £550,000 to be transferred to Reserves leaving a balance in Profit and Loss account of £2,083,480.

From this sum the Committee recommend a distribution at the rate of £3.75 per share against £3.10 last year. If this proposal is accepted, then, in conformity with Article 40 of the Statutes, a sum of £30,278 will be distributed to the holders of Founders' Shares at the rate of £417.95 per whole share and £90.278 to the Committee, leaving £27,924 to be carried forward.

Copies of the Report and Accounts will be obtainable from:

The Secretary, Ottoman Bank Representative Office, 2/3 Philpot Lane, London EC3M 8AQ

Portsmouth and Sunderland Newspapers, Limited

Points from Sir Richard Storey's statement to shareholders

Results affected by a difficult year.

THE YEAR TO MARCH 1981

The Group pre-tax profit of £1.7m, as stated in the Current Cost Profit and Loss Account, for the year to March 1981, was 36% down on last year's record figure but did not quite fall below those for 1975-1976.

Despite present trading conditions, it is possible to recommend the maintenance of the dividend at last year's monetary level.

The reason for this year's lower profit is simply that, in real terms, newspaper costs rose by £500,000 while revenue fell £4.4m, because of the 1980 dispute between the Newspaper Society and the National Graphical Association and, secondly, because of the overall fall of 13% in advertising volume in the national recession.

The National Recession and Newspaper Sales

Management and staff are greatly concerned about the level of unemployment in the communities of the North East - a level now over 17% which is nearly twice the rate in Portsmouth.

Despite the horrifying unemployment figure, and the effect which there must be on general living standards, the circulation of the Company's newspapers, even in the North East, has been little affected.

PLANS FOR THE FUTURE

Investment in Staff

To encourage the efficiency and loyalty of employees the Company has introduced a remuneration strategy which, in the current year, will cost £360,000. I hope that this whole rationalisation of the Company's pay structure, and what is also a major investment in the Company staff, particularly at a time of recession, will prove successful.

Development of The News Centre, Portsmouth

The Company has bought about three acres of land beside The News Centre for nearly £600,000 and detailed plans are now being made for its use. It will soon be necessary to start placing orders, costing altogether around £10m, for the replacement during the next five years of newspaper

presses used for the southern publications and contract printing.

NEWS SHOPS

Five new branches of News Shops were opened - making a total of 44. In a trade particularly seriously affected by inflation, and in a difficult year, News Shops has done well earning a total pre-tax trading profit of £112,000.

OTHER MATTERS FOR REPORT

Work to achieve optimum use of modern machinery is continuing: greater efficiency is being achieved in Sunderland where more contract printing is being actively sought; negotiations for the proper use of modern technology at The News Centre have been resumed with the trade unions; in Harlepool new hard thought is being given to changes in production methods to make the Mail profitable.

Recently I visited Japan and America to make a first-hand study of newspapers and allied technology there. I was impressed by a Tokyo newspaper - the most advanced in the world - which shows only too clearly that even this Company's technology is relatively backward and that of many others is pre-historic!

I saw American and Japanese trends which I believe will develop in Europe such as, for example, the increased use of common composing centres linked to distant press rooms by laser transmission; this development will greatly change, even remove, systems now used in newspapers' reproduction and plate-making departments. Another important development allows television to be used "inter-actively" so that the public may "talk back" to the transmitting station.

Mr. McKisack

Mr. McKisack retires in August. As Secretary and Financial Director he most successfully managed, and got others to manage, the financial affairs of the Company. I thank him most earnestly for the service he has so loyally given and wish him and his wife all good fortune on their retirement to Australia.

BY THE FINANCIAL EDITOR

Recharging Chloride's balance sheet

Chloride's rights issue to raise £17.3m net may have come as a surprise but there is a good case for taking the plunge early rather than risk the possibility of being pushed at a later date. With trade continuing to worsen during the second half of the year, contrary to the group's earlier hopes, Chloride ended the year with net losses of £22.5m. The impact of this on an already stretched balance sheet was to push net gearing up from 78 to 100 per cent, despite the fact that borrowings were only marginally up.

Furthermore borrowings were contained largely through a £27m reduction in working capital, reflecting the lower volumes and weak lead price and when demand does finally start to recover and with it the lead price, the group's working capital needs are likely to rise sharply. So although Chloride has launched the rights issue on its own initiative, it seems quite probable that without some equity financing its bankers might have begun to get restless given the difficulties of trading out of such a tight corner.

Treating the convertible preference shares as equity leaves net borrowings at the issue back to roughly 70 per cent of shareholders' funds, which still gives Chloride plenty to do and disposals or the sale of minority stakes in overseas operations are the likely course for attacking debt during this year. On the trading front, a first-half loss looks inevitable and the extent of any recovery in prices and demand during the second half will determine the outcome for the year.

Shareholders, then, are faced with a rare puzzle over the convertible preference shares on offer which even come with health warning attached about the first dividend payment. Assuming it is paid—and Chloride will presumably strain every muscle to do so—shareholders are being offered a way into the ordinary at the equivalent of 25p per value but with a yield of 10.7 per cent while the ordinary themselves yield nothing at 27p. Assuming, too, the ordinary stay above par—and this is by no means certain—the preference stock appears relatively attractive and rather than pouring more money into Chloride there is an argument for switching into the preference. Meanwhile, shareholders who ignore the issue will see their holding diluted by over a third. Given all the uncertainties, not least the trading outlook for Chloride, the underwriters will have to work for their money.

● *Dupont the group which arose from a hospital bed at the end of March after the sale of some steel interests to British Steel Corporation and the closure of others is still a long way from leaving the ward. After last year's net £58m loss after £44m of extraordinary items it is unlikely that the group will return to profits this year. However, the trend is a bit more positive. The steel interests have gone, an underlying recovery is hidden by interest charges in the first three months of the year before the steel interests were sold, and the residual activities should eventually benefit from economic upturn.*

This assumes that all goes well, which in the case of Dupont it has not for years. The balance sheet as at January 31 is not quite the same as the pro forma one given in the Spring with the capital construction. The new one shows short-term borrowings of £13.5m, against shareholders' funds of £12.85m and long-term loans of £14.8m. The position is however coming right now that Dupont is rid of the cost of carrying the assets sold to British Steel, and in receipt of the money from the sale. But hurdles remain. The residual interests of Dupont are cyclical, in fields where surplus capacity makes for keen competition. The shares eased 2p to 11½p after the latest bulletin of bad news.

Electronics

Anxieties allayed

Meanwhile, the collective woes of other sectors of British industry merely serve to accentuate the explosive growth of major electronics groups and particularly those with strong military connections. Excellent results from both Racal and Ferranti yesterday cut through all anxiety in the sector about the effects of defence cutbacks due to be outlined in the Commons this afternoon. Racal's profits up from £51.4m to £73.2m (adjusted for Decca) were in line with expectations, but none the less remarkable for all that. Ferranti beat most outside forecasts with a pretax jump from £11.2m to £18.1m, with the main boost coming from the Scottish division which embraces airborne lasers and radar systems.

The most encouraging aspect of Racal's figures is the speed with which Decca has been turned round. Losses there have been cut from £12.2m to £2.4m pretax with the deficit more than accounted for by losses of £3m on the consumer electronics division now sold. Racal seems to have got to grips quickly with Decca's most troublesome area, marine radar, and claims a £6.6m deficit for that division last year will be erased in the current 12 months.

Further loss-elimination and asset disposals including the sale of Decca's former headquarters for £7m would seem to put Racal on target for £100m this year and provide sufficient cash-flow to discount recurring rights issue rumours unless the group's takeover acquisitions in the United States come to the fore.

With HMC orders accounting for only 13 per cent of sales, Racal is hardly exposed to domestic defence cutbacks. In Ferranti's case the proportion is more like two-fifths but its heavy involvement in the MRCA-Tornado project is unlikely to be affected. Accelerated deliveries of Tornado, Hornet and the Jaguar retro-fit programmes should help profits move towards £23m in the current year, while Ferranti's lead in uncommitted logic arrays still offers vast potential.

The shares of both groups are now looking a long way ahead, however. Up 9p, at 383p, Racal sells on a prospective fully taxed p/e of 21, while for Ferranti the p/e is over 20 and the yield in both cases is a mere 1.7 per cent. Both are now in the long-term category, although continued talk of further rationalization in electronics should support Ferranti approaching the mid-1982 date at which restrictions are removed on the shares placed by the National Enterprise Board.

Pensions

Counting the cost

At first sight, the 1.2 per cent of wage costs which the Occupational Pension Board's recommended increases in preserved pension benefits might cost is not likely to cause British business any serious financial problems. A one per cent increase in United Kingdom wage costs is going to knock less than five per cent off the typical British company's pretax profits: so even if the employer gets landed with the whole of the bill for redressing the injustices which early leavers suffer at the moment, the financial strain is not too great. All which explains the bland approbation with which the interested institutions—the actuaries and the pension consultants, the LOA and ASLO—received the report yesterday. Only there happen to be a couple of flies in this soothing ointment.

First there is the fact that the changes to which the projected costs relate are not up to much. An end to "franking" the guaranteed minimum pension (ie, setting off guaranteed increases against other pension entitlements), and an increase in preserved pension benefits by the rate of average earnings up to a ceiling of five per cent per annum, undoubtedly is some improvement, but if inflation continues in double figures those preserved pension benefits still will not be worth much at the end of a decade.

Secondly, the OPB seems to have been petrified of the "knock-on" effect. Companies will hardly be able to refuse to their loyal pensioners the increases which they have granted to former employees and funding for annual increases in pensions as well as in preserved pension benefits could have a dramatic effect on contributions.

The OPB has fudged rather than faced the issue in the belief that the disagreeable truth is that occupational pensions will have to be cut, or that pension contributions will have to be increased—would scare off those employers who presently offer no occupational scheme. In the short-term, they may have been right. In the longer-run, they have performed no service either to the companies concerned—who ought to know that they are taking on a quantifiable liability—or their employees, who might, given the facts, prefer to surrender the prospect of a comfortable old age for the sake of a certain job today.

As a result, Treasury bill and other market rates have been allowed to rise further, using MLR than has generally been the case in the past, though MLR has remained a keystone in the system, both as a sign of the Bank's view as to the appropriate level of interest rates and as the basis of occasional lending in circumstances the Bank has considered appropriate.

On the face of it then, we have almost reached a stage where the rates are the important rates, where these rates essentially reflect market

We are, the monetary authorities tell us, travelling down an evolutionary road towards an improved system of monetary control—a journey of no little importance, of course, if monetarist policies are to be implemented successfully.

We are to travel steadily but not too fast; we are to observe carefully what we see along the way; and we are to plan all we can from the travellers we meet, particularly those who have travelled similar roads in, for instance, Germany, Switzerland or the United States.

But for the more impatient advocates of monetary control, this is not enough. The authorities, they believe, lack earnestness of any sense of pilgrimage. Instead, they give the impression of being out on a casual contract.

As far as many monetary base supporters go, the authorities' commitment to effective means of monetary control will remain unproved until they finally demonstrate that they are prepared to give up all attempts to control the price of money. Attempting to control the price of money, it is argued, is incompatible with simultaneously trying to manage its supply.

Whether or not one accepts this purist doctrine, it can certainly be asked what precisely the authorities do have in mind when they talk about a policy involving more market-related and more flexible approach to interest rates.

In theory it should be all very simple. The Bank should allow the market greater influence in the determination of interest rates, then, for its own part, to manage its supply of money in responding to this. In some ways the authorities have moved far down this road already. Indeed ever since the ending of official support for the gilt-edged market, interest rates have become more flexible in responding to this. In some ways the authorities have moved far down this road already. Indeed ever since the ending of official support for the gilt-edged market, interest rates have become more flexible in responding to this.

Moreover, as the Government has become an ever larger forced seller of debt, so its market has become more inelastic. All that really happened over recent years is that the authorities have progressively adapted their behaviour to this reality, edging towards greater flexibility for the tap of money to more fully, using MLR than has generally been the case in the past, though MLR has remained a keystone in the system, both as a sign of the Bank's view as to the appropriate level of interest rates and as the basis of occasional lending in circumstances the Bank has considered appropriate.

On the face of it then, we have almost reached a stage where the rates are the important rates, where these rates essentially reflect market

At the end of the day, however, none of this is what the more ardent monetary base advocates really want. For at the moment we seem to be set to persist with some kind of official view about the appropriate level for short-term interest rates; and that means some sort of peg for short-term rates, but leaving the rest of the yield curve to wag like a dog's tail.

Under a monetary base system the dog would, in a sense, be turned round. Long-term rates would not, of course, be pegged but they would be influenced by increased confidence in the authorities' capacity to control the money supply tend to be more stable. The greater volatility would be at the short end of the market, where the 12-year rates if they were to be a serious attempt to develop a significant market in longer dated Treasury bills.

Even this volatility, it could be argued, would tend to diminish over time (two-five years?) as the system bed itself down and inflation is reduced to lower levels. I doubt, however, that it is this technical perfection that the advocates of the monetary base may be right to see monetary control as an art as well as a science.

John Whitmore

Economic notebook Setting a price for money

conditions, and where MLC could, if the authorities so wished, be phased out. But it is clearly not quite that simple as money market operators know. The fact of the matter is that the Bank is still one side of the market, and the side which, at the end of the day, is still able to call the tune if so wishes.

The Bank wishes to call the tune to some extent is, of course, clear from the fact that it plans to operate (and may already be operating) on the basis of an unpublished band of short-term interest rates.

It would be surprising if that band were to change all that frequently, or if it were to be particularly broad, for it still seems to be close to the heart of the authorities that this is an important and acceptable trade-off to be had between flexibility and stability (at least under the present institutional framework).

Politicians

One might even wonder if MLC itself will actually be phased out. It is perhaps the politicians who have been keenest on being rid of MLC, on the grounds that frequent upward movements are politically unpopular, while infrequent upward movements have, at least on the basis of the way the system has operated in the past, tended to mean a loss of monetary control.

Better, then, to allow the authorities to conduct their policy with greater flexibility but out of the public glare, leaving the banks to carry the interest rate can every time they feel forced to raise base rates.

The Bank itself, however, may be rather less keen to see an end to MLC. Its dilemma is that while it feels that its market policy could be more flexible, it also feels that it is an "official" interest rate, it may also feel that, like other central banks, it is beholden to provide a benchmark rate to preserve confidence and stability, particularly among international investors.

An answer, though hardly a satisfactory one, would be to change MLC relatively infrequently but to publish any changes in the surcharge to be paid by borrowers, so as to disclose the window. Another might be to do away with MLC but to publish daily the prices of all bill dealings and discount window, leading in order to ensure that all who had an interest in the market knew how the Bank's interest rate band was operating.

At the end of the day, however, none of this is what the more ardent monetary base advocates really want. For at the moment we seem to be set to persist with some kind of official view about the appropriate level for short-term interest rates; and that means some sort of peg for short-term rates, but leaving the rest of the yield curve to wag like a dog's tail.

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John Whitmore

Ironfounders' battle for survival

It is ironic that coke, the fuel that helped to fire the industrial revolution, should prove some 250 years on to be a burden on the United Kingdom's remaining 550 ironfoundries.

As foundries close at the rate of one a week amid dwindling demand for their iron castings the price of coke, their main fuel, has been aggravating their difficulties.

The Council for Ironfoundry Associations (CIFA), to which half the foundry companies belong, has repeatedly pressed the Government to increase the subsidies on coke in order to bring United Kingdom supply prices into line with those paid by European competitors, whose governments give more help with fuel costs.

The industry is now awaiting an announcement from the Government, following the recent agreement to raise National Coal Board cash limits, of some form of fresh subsidy for coke. This could come within the next two weeks, but no one expects that any concessions that are made will be anything other than modest.

Against a background of price increases for other fuels used in industry and little sign up until now of the recession lifting, the foundries have had a hard time pleading their case for special consideration.

Meanwhile, their plight has been worsening. The number of foundries left is little more than a third of the number which existed at the beginning of the sixties. Production in 1980 dropped to 1,819,400 tonnes, the lowest figure since the war. In 1979 it was 2,677,100 tonnes.

The ironfoundries have to pay about £103 per tonne for National Coal Board coke. It is subsidised to some extent by the Government, but British coke prices are still estimated to be about 30 per cent higher on average than European equivalents, and as much as 50 per cent dearer than in France, according to the National Economic Development Office's Energy Task Force, which emphasised the coke problem in a report earlier this month.

The hard-pressed industry's difficulties go back at least two decades. Closures in the sixties and early seventies were due partly to the growing use of other materials, such as plastics, to replace iron castings and partly a result of over-enthusiastic price-cutting by managers hoping to win orders.

The coke problem arose with the United Kingdom's entry into the European Community in 1973. This brought the industry closer to its European rivals and highlighted discrepancies such as government fuel

subsidies, while lifting the protective shield of trade barriers.

About a third of foundry castings go to the motor industry and the dwindling of United Kingdom car production has meant declining orders for iron parts. Even the comparatively successful commercial vehicle sector has not been able to offset the lost orders.

Other manufacturing industries, likewise, faced with decline, have not ordered much comfort to the foundries either. Also, many of the United Kingdom's producers of iron castings are small companies, more vulnerable, in hard economic times, than larger enterprises.

"The number of foundries left is little more than a third of the total at the beginning of the sixties"

There have been ambitious plans over the years to help the foundries. In 1975 the then Chancellor, Mr Denis Healey, launched a series of programmes for modernisation of the foundries in order to boost efficiency, which was expected to draw applications for an estimated £80m worth of aid. This help was offered under Section 8 of the 1972 Industry Act.

The modernisation effort was born out of the economic boom of 1974, when the foundries could not produce enough castings for the manufacturing industries, their numbers depleted by the mistakes and changes of the 1960s.

But by the end of the 1970s it was becoming clear that the foundries again had surplus capacity, as other industries—including their biggest single customer, the motor trade—cut back.

Since the start of the aid scheme the Government has given the foundries £46.1m, but this is little more than half the total funds the foundries were expected to receive under it.

In recent months most of the industry's workforce of 70,000 has been on short time. Even the Royal Ordnance, one of the biggest United Kingdom foundry operations, has shut five foundries at its Birmingham Smethwick works in the past two years, with the loss of 3,000 jobs.

As more and more United Kingdom foundries close, the customer industries are turning to imported castings, notably from the Far East—Taiwan, Korea and India—as well as from European rivals of the United Kingdom firms.

The dwindling industry has been unable to make use of the aid held out to it in happier times.

There is no chance, according to Mr Derek Farrant, the director of CIFA, of the rest of the £80m which was earmarked for the iron foundries being diverted to help cover coke costs. "That is a non-starter", he says. "The Government gave us a flat 'no'. Technically, they have a point, because unspent other industries would be asking for the same to be done for them." But he believes that the Government has been inflexible.

There is one bright spot in the present gloom. Iron castings are a major export and some of the foundries pin their hopes of survival on foreign orders. According to the CIFA, some have been able to survive only thanks to the export market.

Export figures for 1980 were 134,400 tonnes, bringing in £72,832,000, and exports 50,650 tonnes, costing £20,370,000. "This is clearly one of our strengths," Mr Farrant says. "We could do something for ourselves here and the export potential is something we have emphasised to the Government."

The council is planning a series of trade missions to boost the industry's exports, but is chary as yet of revealing which of the foundries plan the main target countries will be.

Even so, having learnt to be cautious in view of the industry's experience over the past twenty years, the CIFA eagerly welcomes any move which might lead to the number of indirect imports of iron castings, contained in finished products such as foreign cars and thus not listed, probably outweighs the apparent export surplus.

The council's determination to defend its members' interests has also been hardened by long years of disappointment and the expectation of economic booms which did not happen. The next target is likely to be any Japanese involvement in the production of cars in the United Kingdom. "We would certainly take the view that the Government should insist that Nissan, for example, have an intake of a minimum of 85 per cent local content," Mr Farrant says.

The last thing he wants to see is the Japanese companies importing their own castings, when the United Kingdom foundries need all the custom they can get.

Anne Warden

Business Diary: Fair wind for Warrington?

Warrington When word got around recently that there was a job going in Warrington, it caused some surprise that only three people applied for it.

These three, however, came from all over the country. One is a self-employed politician from west London who last worked in Brussels, another a bus driver from Mill Hill, north London, and the third, now an engineering sales consultant, has some previous experience in post at Nelson and Colne similar to the one on offer at Warrington.

Which one of them gets the job will not be known until next month, by which time there may well be more applications, since it is a nice little number carrying a salary of nearly £14,000 plus allowances and was held by the previous incumbent for 20 years.

What is certain is that the filling of this vacancy will be watched with the greatest of interest, not only here in Warrington itself, but as far south as London and even in 10 Downing Street.

Alas and alack, there are more than three appli-

cants for most other kinds of vacancies that crop up here and rather less interest outside Warrington in who fills them. Warrington, an industrial town of just under 200,000, rates as a "new town", a status it has held officially since 1969, although there has been a settlement here on the banks of the Mersey between Manchester and Liverpool since pre-Roman times.

The town for a long time escaped the worst of the ups and downs of the North-west because it had a broad industrial base, chiefly in brewing, chemicals and wire-making. The town even imported labour.

"But," David Binns says, "it was a broad manufacturing base and the trouble is that it is suffering at the moment."

Binns is the general manager of the government-funded Warrington and Runcorn Development Corporation, which is attracting mainly science-based employers to four new industrial estates. Binns's target is to create 1,500 jobs a year until 1989, but so far this year jobs are being lost in old Warrington as fast as they are being created by the new firms mov-

ing to development corporation sites. Traditionally Warrington has had a 2 or 3 per cent lower unemployment rate than the North-west average, Binns says. Now it is over 12 per cent, nudging the North-west average of 12.2 per cent, if still only half of that of neighbouring Liverpool.

The unemployment issue is taken up by the Warrington Industrial Training Trust, funded by the Manpower Services Commission. The trust, whose chairman is Lord Leverhulme, began training young unemployed people nearly three years ago and reckons to send less than two-thirds out into a job.

"With the ever-deepening recession," says the WITT annual report, just published, "employment prospects within the locality are pretty bleak and, with almost two thousand young people leaving Warrington schools in the summer of 1981, the need for training places to gain worthwhile experience is vital."

However, it is not all gloom in Warrington, which before Roy Jenkins put it on the map most people outside the North-

west (and many within) knew only from the "Vodka from Warrington" advertisements from Greenall, Whitley, which distils its Windsor vodka.

Warrington's latest business wheeze is the Warrington Industries Fair, which opened at the development corporation's Winwick Quay site yesterday. Funded not only by the Corporation but by the Warrington Chamber of Commerce, this is a lively attempt to give firms new to the area a showcase for their wares, to meet local companies which might supply them and, last of all, to meet each other.

This last aim is quite helpful since it was through last year's fair, the first to be held, that one new company which was getting specialist piping from Birmingham, found that the stuff was available from another new firm on the same development corporation site.

One exhibitor I spoke to was Steve Chamberlain, who is a 29-year-old Warringtonian who, with a partner, has been able to build up from scratch Claremont Business Equipment. This is an office supplier with a turnover of more than £1m a year, which employs 14 people itself as well as others indirectly through subcontractors.

Yesterday morning he received a letter from commercial developers in the area asking him to take a look at the site they had denied him when he was starting up on his own.

They had heard on the grapevine that he was about to expand and to take a second and bigger development corporation site as well as the one from which Claremont now

operates. The developers turned him down three years ago because as he was just starting out, the business had no track record.

"I shall have the greatest pleasure in refusing their kind offer," he told me. "I may well frame the letter."

I asked Chamberlain about the by-election, and he said the SDP had a lot going for them locally because "neither Labour nor the Conservatives had done anything for Warrington."

His dip is that though Shirley Williams could have won the seat, "because she has the common touch", Jenkins—despite his eminence—probably could not.

"He's too twee for us," added another SDP sympathiser. If there were an election at the Warrington Industries Fair this week the exhibitor least likely to win any publicity prizes is Tucker's, which sells Lazard, a vandal-proof glass.

"We're always the most unpopular exhibitor at fairs like this," Tucker representative Roy Blasket told me, inviting me to take a mallet to his product. "Whenever there's an inquest on a fair, they say, 'you're the noisy buggers with the bashin' bar'."

Though I managed to deafen everybody in the exhibition hall with my efforts, I did not break the glass. It is just as well. A card on the stand says "If you break the window in 'take a bash'". But it does not say whether Blasket pays you or you pay him. With that kind of business nous, Warrington will get through this recession if anywhere will.

Ross Davies

Wallchart

SUMMER'S HERE AGAIN! ISN'T IT AMAZING HOW TIME FLIES!

IT CERTAINLY DOESN'T SEEM A YEAR...

...SINCE WE ALL SLEPT IN THE DEPARTMENT LOUNGES AT HEATHROW.

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NOTICE OF ISSUE
Application has been made to the Council of The Stock Exchange for the undermentioned Stock to be admitted to the Official List.

ABRIDGED PARTICULARS

The Mid Kent Water Company
(Incorporated in England on the 22nd August, 1962, by the Mid Kent Water Act, 1962)

OFFER FOR SALE BY TENDER OF
£3,000,000
9 per cent. Redeemable Preference Stock, 1987
(which will mature for redemption at par on 27th February, 1987)

Minimum Price of Issue 297 per £100 Stock
Yielding at this price, together with the associated tax credit at the current rate, £13.25 per cent.

This Stock is an investment authorised by Section 11 of the Trustee Investments Act, 1961 and by paragraph 10 of Part II of the First Schedule thereto. Under that paragraph, the required rate of dividend on the Ordinary Capital of the Company was 4 per cent. but, by the Trustee Investments (Water Companies) Order 1973 such rate was reduced to 2.5 per cent. In relation to dividends paid during any year after 1972.

The preferential dividends on this stock will be at the rate of 9 per cent. per annum and no tax will be deducted therefrom. Under the Imputation tax system the associated tax credit at the current rate of Advance Corporation Tax (37½% of the distribution) is equal to a rate of 3.67½ per cent. per annum.

A deposit of £10 per £100 nominal amount of Stock applied for must accompany each Tender, which must be sent to Duffell Haskins & Sells, New Issues Department, P.O. Box 207, 125, Queen Victoria Street, London EC4P 4XJ in a sealed envelope marked "Tender for Mid Kent Water Stock" so as to be received not later than 11 a.m. on Wednesday, 1st July, 1981. The balance of the purchase money will be payable on or before Tuesday, 26th July, 1981.

Copies of the Prospectus, on the terms of which alone Tenders will be considered, and Forms of Tender may be obtained from—

Seymour, Pierce & Co.,
10, Old Jewry, London EC2R 8EA.
National Westminster Bank Limited,
3, High Street, Maidstone, Kent ME14 1XU and
11, The Parade, Canterbury, Kent CT1 2SQ.
or from the Offices of the Company at High Street, Snodland, Kent ME8 5AH.

Powell Duffryn

Group results for the year ended 31st March 1981

	1981 £'000	1980 £'000
Turnover.....	456,238	440,951
Trading profit.....	18,834	19,732
Profit before taxation.....	14,005	15,884
Profit after taxation.....	11,517	12,428
Profit attributable to ordinary shareholders	10,655	8,767
Earnings per share.....	36.8p	39.9p
Dividends per share.....	14.25p	13.25p

Powell Duffryn is an industrial holding company with subsidiaries engaged in engineering, distribution and transportation, principally related to the energy shipping and construction industries.

Bankers go for growth in world capital markets

by David Jones, editor, The Bankers' Magazine

The Nordic countries, with the exception of Norway, are hungry for capital. As a result, apart from their common dependence on natural resources and on shipbuilding and heavy engineering exports, they are linked today by the growing expert knowledge of their public and private financial institutions in the international capital markets.

When the London sterling market was opened to foreign borrowers after an interval of 40 years, it was Denmark that issued the first "bulldog" bond last year, for £50m, to be followed shortly afterwards by Iceland, which came to the market for £15m. Both sovereign borrowers were taking advantage of the London market's willingness to provide long-term finance, which for Denmark was a period of no less than 25 years.

This year saw a third Nordic borrower issuing a "bulldog" bond. Sweden, the first of the three, issued a £50m issue, for just five years. The Swedish issue broke new ground in that, unlike the Danish and Icelandic ones, which were placed with institutional investors, the Swedish bond was sold by tender, to qualify it for inclusion among gilt-edged stocks listed in London. This has made it quite practical for small investors to invest in Swedish government debt, just as they would in gilt-edged stocks issued by the United Kingdom Treasury.

In raising finance from the international capital markets, Nordic authorities will often rely on the proved skills of the establishment merchant and investment banks. Thus the Swedish issue was offered to the market by 12 underwriting banks, led by Morgan Grenfell and S. G. Warburg.

Nevertheless, Nordic banks are playing an increasingly prominent role in the main capital markets. They are represented in the world's principal financial centres both by consortium banks and on their own account, through representative offices or through full

branches. Two London-based consortium banks, Nordic Bank and Scandinavian Bank, are indeed among the largest consortium banks in the world.

Nordic Bank shareholders are: Kansallis-Osake-Pankki (Finland), Svenska Handelsbanken (Sweden), Den Norske Kreditbank (Norway) and København Handelsbank (Denmark). Scandinavian Bank shareholders are: Union Bank (Finland), Skandinaviska Enskilda Banken and Skanska Banken (Sweden), Den Danske Bank and Den Danske Provinsbank (Denmark), Bergen Bank (Norway) and Landsbanki Islands (Iceland).

There is a good reason for the concentration of resources that Nordic banks have put into consortium banks. Individually, the banks may not be large by international standards, but they number some big international or multinational firms among their domestic customers. To provide the full range of international investment banking services, the resources of even the biggest banks in Scandinavian countries would be stretched. Consortium banks linking Nordic nations, which share common cultural and linguistic links, therefore appeared to make a good deal of sense in the 1970s.

There are signs, however, that some shareholder banks have outgrown the need to pool resources in this way. Scania, the largest bank in Sweden, the most powerful shareholder in Scandinavian Bank, has been striking a fairly independent path in the United Kingdom, formerly owned by a group of 10 fairly small banks, has been absorbed by one of its shareholders, Privatbanken of Denmark.

But the joint venture or consortium bank still has a powerful appeal for Nordic banks. The latest venture to be launched is the Dow Scania Banking Corporation, which in effect is the reconstituted London branch of the Swiss-based Dow Banking Corporation.

None of the Nordic countries faces Norway's

dilemma: a flood of oil money threatens to sweep away the country's established industrial base. Price and wage controls in 1978 and 1979 kept down the rate of inflation, but oil output increased, bringing in foreign exchange and tax revenues. Pressure built up and when the controls were lifted at the end of 1979 the rate of inflation and of wage increases began to accelerate. To compound these problems, the krona is buoyed up by foreign exchange earnings from oil.

Norway's basic industries have suffered a severe loss of competitiveness; an inflation rate forecast at between 12 and 14 per cent this year and wage increases not far behind mean that for basic industries, such as pulp and paper, it is increasingly difficult to compete in export markets.

There is no shortage of economists and others offering solutions. The OECD, for instance, would like to see an incomes policy reintroduced together with a curb on public spending. Government expenditure has been allowed to run at high levels in order to hold back unemployment.

From the Bank of Norway and from the Government come indications of a similar approach. Apart from a continuation of job creation measures in the far North, it looks as though the days of lavish spending of oil revenues (originally in advance of production) are over. As a token of the more austere approach, the Government plans to repay all its \$4,000m foreign debts by 1985, which should hold back the appreciation of the krona.

Sweden, like Norway, has been pursuing a policy of high levels of public expenditure. Government spending has been deliberately counter-cyclical, at a time of world recession but more alarmingly, unlike Norway, Sweden had no oil revenues to fill the deficits.

The year opened with a run on the krona, which had to be countered by the Riksbank pushing up interest rates from 10 to 12 per cent and by squeezing bank lending through a variety of instruments.

A note of gloom was struck by the Swedish Ministry of Economic Affairs in a report this spring, pointing out that the country, which was free from debt until the 1970s, is getting deeper into foreign borrowings.

The current account deficit this year looks like running close to \$5,000m and the Government will increase its debt by 50 per cent to the worrying extent of nearly £15,000m — 14 per cent of gross national product. And unless a successful change of course occurs, worse will follow in the next few years, with government debt doubling to 28 per cent of gnp. Debt servicing alone could cost \$3,000m a year by 1985. Nor is full employment the goal of present policies.

It looks as though Sweden will remain in deficit on its current account throughout the 1980s; a balance will only be achieved by the imposition of severe restrictions on both private and public consumption.

Financing a large budget deficit may mean that Sweden's industry is effectively crowded out in the domestic capital market, with a consequent check on the investment that is essential for recovery. There is also a constant threat to the currency in the foreign exchange markets. These conditions bring little cheer to

the banks: in 1980 Swedish banks suffered their first profit setback for ten years, and the outlook this year is uncertain.

By contrast, Finland has just received a fairly clean bill of health from the OECD. The country recorded the fastest growth among OECD members in 1980. Growth of GDP is forecast to slow down this year, and a deterioration in the balance of payments is expected, yet the surge in inflation has been kept in line with that of the OECD area as a whole.

The OECD report this spring points to three key factors in Finland's success. First, exports to the Soviet Union were expanded in order to help pay for the rising oil bill; this has offset slower growth in world trade. Second, the growth of the public sector was curbed in 1977, and unemployment was allowed to rise, which released resources for a surge in manufacturing industry. Third, the tax burden has been significantly reduced.

Prospects for the next 18 months, says the OECD, are less promising. Influenced by a moderate economic outlook, economic growth is likely to slow down significantly, accompanied by a further weakening of the current external balance and a higher rate of unemployment. And domestic cost pressures may intensify as unit labour costs rise in the wake of slower growth in output.

None the less, Finland has shown a modest economic growth during the last few years. This has meant high levels of investment. Domestic savings alone have not

been enough to finance this growth, and Finland has required substantial amounts of foreign investment capital.

Finnish foreign trade, too, has been growing fast in recent years, with a pronounced switch from traditional exporting to the establishment of overseas operations.

Owing to the inadequacy of the Finnish money market, the amount of foreign financial backing for Finnish industry operating abroad has increased considerably.

An example of this new initiative is the campaign by Skopbank, central bank of the Finnish savings movement, which accounts for 30 per cent of the domestic market, to establish an international presence. Skopbank has opened a representative office in London and, since 20 per cent of Finnish exports go to the Soviet Union, is establishing one in Moscow. (Skopbank is also sponsoring the Finnish entry in the Whitbread round-the-world yacht race, which should ensure widespread recognition.)

Denmark is another capital-hungry nation, which runs a chronic balance of payments deficit. There is, however, an ace in its hand. This is the possession of not

yet fully exploited reserves of North Sea oil and gas.

If there is a common theme to Nordic finance it is that the banking sector is no longer content to play a purely domestic role, or to regard overseas operations as an extension of trade financing for existing customers.

Whether it be through consortium banks, or by going it alone, Nordic banks see themselves as playing a part in the international capital markets.

The spirit of enterprise is typified perhaps by Denmark's PRIVATbanken in London, which two years ago bought out fellow shareholders in United International Bank. PRIVATbanken offers a full range of local commercial banking services aimed at the Danish community in London. But Mr Peter Tamm, who heads the operation, says he is keen to spread into other target markets, including British companies doing business with Denmark, companies based in a third country with operating subsidiaries in both the United Kingdom and Denmark, and companies with no Danish connexion, but which operate in fields such as food processing or furniture where the Danes are known for their skills.

The bank therefore offers money transmission services between London and Denmark, and runs exchange dealing and market-making operations in kroner. In addition, PRIVATbanken is capitalising on 10 years of expert knowledge gained by UIB to build up an international banking clientele.

Spendthrift jibe follows 'tight tap' oil policy

by David Jones

Development of the Norwegian sector of the North Sea effectively got under way with the discovery of oil by the United States Phillips group as long ago as 1969, in what is now the Ekofisk field. In the intervening years, however, the role of the Norwegian state has become increasingly powerful. Control of developments has been exercised through Statoil, the state oil company, and Norsk Hydro (in which the state has a majority holding).

Principal thrust of the country's drive to develop the North Sea is carried by Statoil, which has considerably tighter links with the Government than the United Kingdom's own British National Oil Corporation.

The explicit objective of Norwegian North Sea policy, laid down in 1974, has been to attain but also to limit oil and gas production to 20 million tonnes a year during the 1980s. Since 1974, world oil prices have soared, which is just as well, as production has been declining at less than 70 million tonnes, with the target level unlikely to be reached until the early 1990s.

Norway's comparatively rapid progress towards becoming an oil exporting nation has been the result of deliberate government policies. Activity in the early stages of exploration in the 1970s was roughly the same in both the British and the Norwegian sectors. The pace slowed down, however, as the authorities insisted on tight controls; the idea was that by a careful depletion policy the country's heavily export-orientated manufacturing base would not be eroded by a currency that continually appreciated as oil revenues surged in.

Environmental conservation has been another important factor. A fourth licensing round for North Sea exploration, due to take place in 1977, was delayed because of the Ekofisk blow-out. Exploration in northern waters above the 62nd Parallel, considered to be a fruitful source of new discoveries — although extremely expensive to drill and develop — is particularly stringently controlled on environmental grounds.

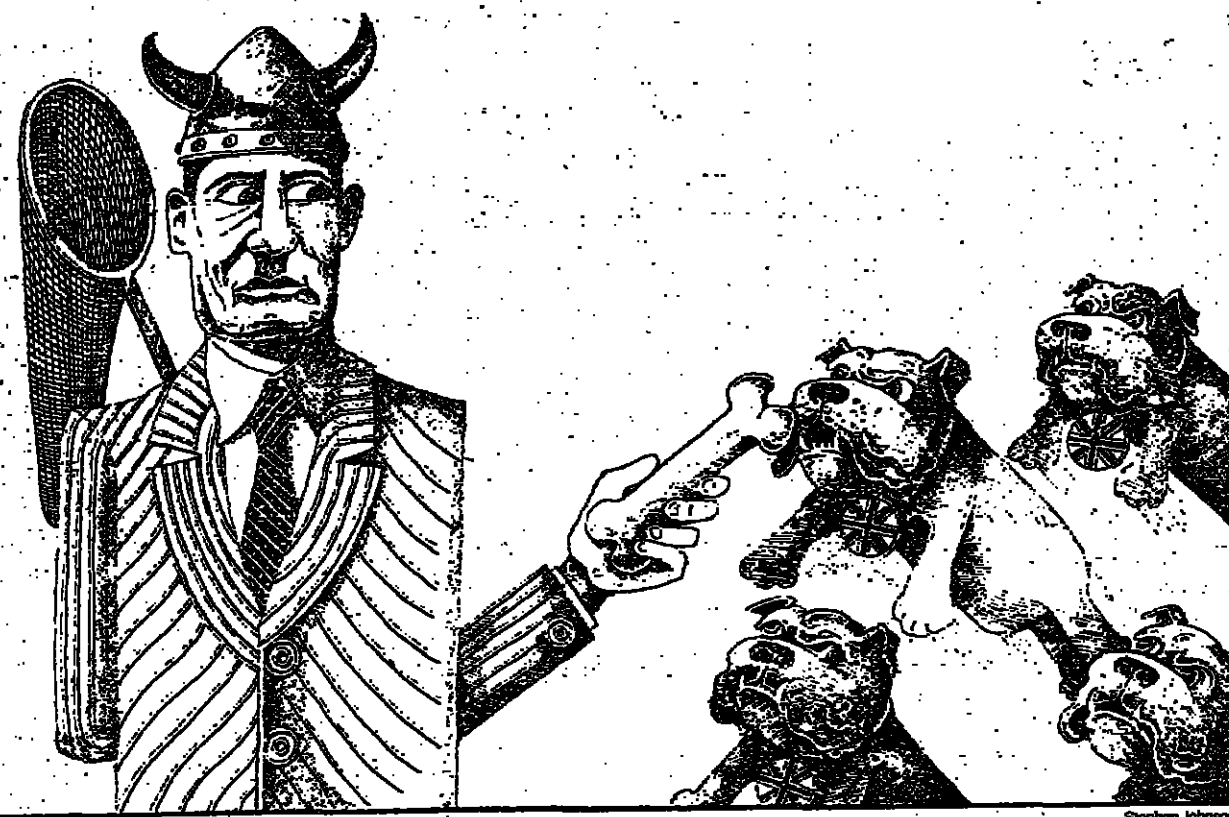
In 1974, faced with a world recession, the Norwegian Government embarked on a policy of foreign borrowing. The international capital markets, awash with Opec dollars that needed recycling, were only too happy to oblige a sovereign state that offered as security the revenues from future oil production.

The loans were used to finance oil exploration and development, to help cushion Norwegian industry from the effects of the recession. Unemployment rose, employment was maintained at high levels, and imports rolled in. By the end of 1977, Norway had run up £7,500m of debts, and increased labour costs had bitten into the competitive position of its industry.

Tough measures imposed over the following two years held back the rise in inflation, but foreign debt continued to rise, albeit more slowly. All this, however, current and prospective oil revenues have been able to underpin loans from overseas for exploration and development, although the establishment recently of a London office might suggest a more active fund-raising role in the future. There has, however, been no difficulty in finding capital for Statoil's investment programme, which has been running at \$500m a year.

By the mid-1980s Norway is going to become a net exporter of capital, whether this is handled by the Government direct, in the form of overseas aid and building up foreign exchange reserves, or by private banks financing new projects overseas. Mr Finn Henriksen, managing director of Bergen Bank, pointed out recently that whereas in the past the large Norwegian banks have had to find capital for Norwegian projects, the time will come when the banks will have to find projects for Norwegian capital.

Debate over the proper use of North Sea revenues continues to rage. Many observers believe that oil revenues should be used in the early 1970s, to provide full employment, when many other nations were in the grip of recession. The decline in competitiveness induced by the subsequent inflation has been compounded by the strength of the krona as oil revenues have built up.



Stephen Johnson

Aluminium stands on firm ground

Aluminium, the most widely used metal in the world, is enjoying a period of high demand and high prices. The price of aluminium has risen sharply in recent months, and is expected to continue to rise. This is due to a combination of factors, including a shortage of raw materials and increased demand from the automotive and construction industries.

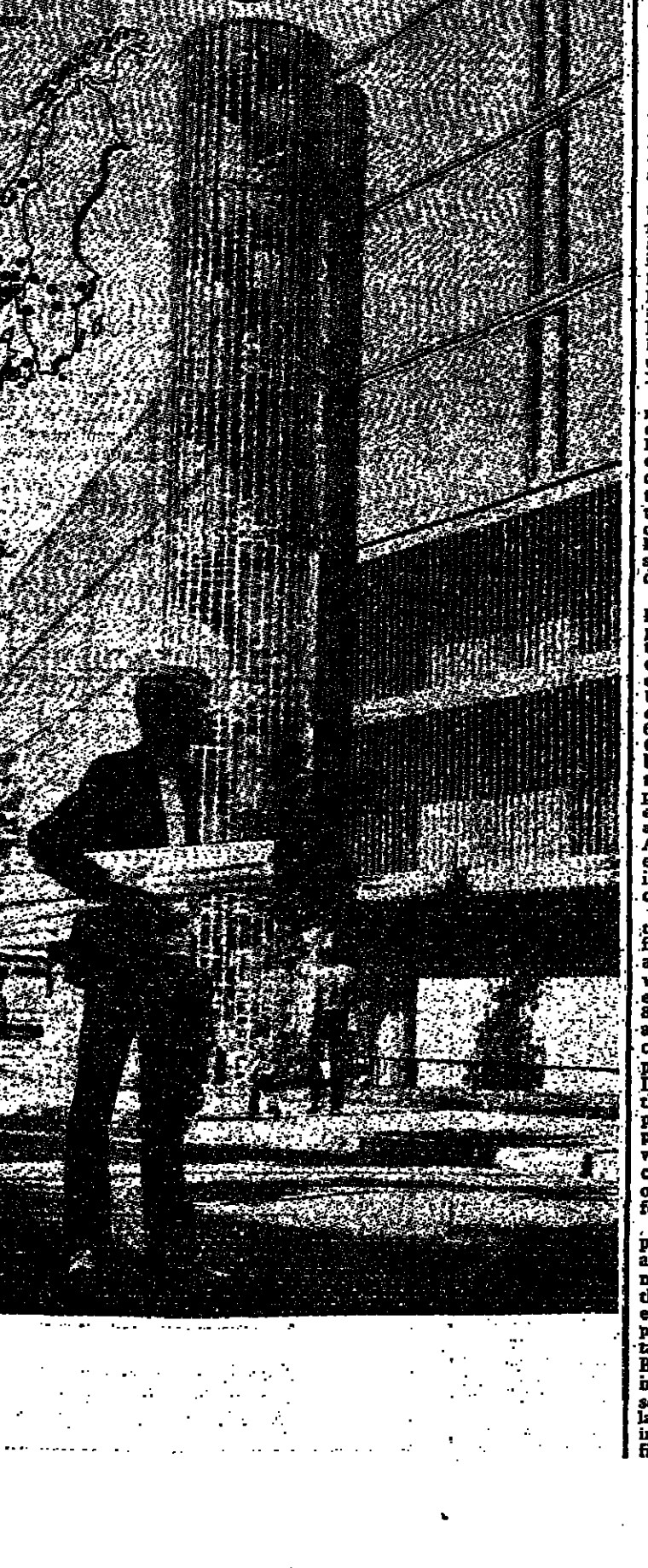
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Wood firms float on sea of debt

by Donald Fields

Despite impressive diversification into other sectors, the forest industries remain the backbone of the Finnish economy. Last year, wood-processing firms earned abroad, compared with four in seven a decade earlier.

Such straightforward figures disguise the heavy fluctuations in sales, profits and investment to which the industry is still prone. The problems of Finnish wood-processing were wide in a conservative survey published this year by Jankko Pöyry, the consulting group, of Helsinki, covering 1974 to 1979.

This showed that the seven most indebted of the 79 companies analysed were all Finnish, with net debts in one case reaching 133 per cent of turnover. And more than 50 per cent of the companies had no Finnish companies among the 10 least profitable; one, Kaukas, showed losses in the half-decade most successful.

More surprisingly, Finland lagged well behind in productivity, measured in thousands of dollars per employee, at a modest 41 compared with 69 for the United States, 67 for Western Europe, 63 for Norway, 62 for Sweden and 55 for Canada. Canada, the best and Finland worst in terms of the proportion of profits sliced away by interest payments — 2.6 per cent and 6.5 per cent respectively. And more than anywhere else, the firms' capital was immobilized by the slow clearance of stocks.

The report also revealed the low degree of foreign financing in Finland. On average, 71 per cent of the wood-processors' capital was extraneous, varying between 50 per cent for Schuman and 80 per cent for the relatively well-placed Kymi Kymmene. Liquidity has improved in the past two years of good profitability, but the general pattern still dovetails the industry's own conclusions that 40 per cent of financing consists of foreign commercial loans.

Wood-processing companies are notoriously coy about their sources and methods of finance, and the problems they well exaggerate by national peculiarities in auditing and tax assessment. But the Bank of Finland's annual investment inquiries give some firm indications the industry, having hoisted its fixed investments by 55 per



Finland

cent in 1979 and 51 per cent in 1980, will consolidate this trend in 1981. The present phase of investment will come to fruition in 1983-85.

Confining its attention to the forest industry, the Central Association of Forest Industries has found that nine investment projects now in the pipeline are valued at Finland 4,457m and will increase annual capacity by 1,005,000 tonnes — almost half of its newsprint.

Rejecting EEC allegations of featherbedding, the association points out that government aid has been non-selective and limited to regional development incentives and stimulatory measures in the pipeline. It has been at pains to rebut charges that Finnish investments pose a threat to less efficient mills in Western Europe.

It argues that much of the recent upturn is simply deferred investment. Finnish paper production last year was only 5,700,000 tonnes, against the 8 million that the EEC Commission forecast in 1971, and the Finnish paper industry has no option but to respond to the challenge from North America.

Mr Martti Kormanen, an experienced director of the Association who this month took a similar post in the Kansallis-Osake-Pankki (KOP) Bank, points out that companies in Finland are used to lower returns on their investment than those elsewhere, and that the taxation system gives them an impetus to carry loans involving little risk capital.

The forest industry's schemes have made only a minor impact on the foreign debt in recent months. The twin effects of interest rates and currency risks have tended to switch the emphasis from long-term foreign to short-term domestic borrowing, which somewhat contradicts the undeveloped state of the Finnish capital market.



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A SPECIAL REPORT

State will help shipbuilders to adapt — but price is high

by David Parton

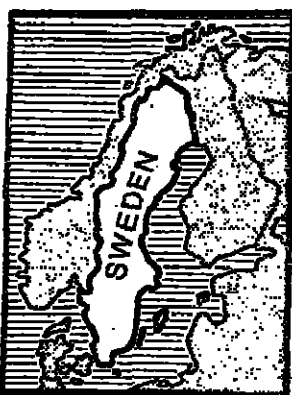
Times are hard, and economic depressions are no respecters of frontiers, even where Sweden is concerned. The apparent success of that country in pulling itself up by its bootstraps a few years ago has proved depressingly illusory and the economic stability of the archetypal welfare state is in severe jeopardy.

Sweden, like the jingoistic England of a century ago, has the ships and the men, but it does not have the money too. At least, not from traditional sources such as shipbuilding, shipping and heavy engineering.

On the subject of illusions, it is as well to dispel the widespread myth that Sweden is a socialist state. Despite having had the longest unbroken social democratic rule of any Western country, it is far from being that.

Certainly an emphasis on the social sector has brought about one of the most careful societies, but the financing of industry has stayed largely private. Commercial banks, savings banks and new share issues have remained the foundation on which the funding of business enterprises is based.

At least that was so until the shipbuilding slump. Sweden's position as an important shipbuilding nation specializing in high-quality purpose-built tonnage incorporating the latest marine technology had to offer, seemed unassailable less than 10 years ago. But



then came the oil crisis, which has, to some extent, unfairly, been identified as the main single cause of the sudden fall in orders to Swedish yards and heavy engineering concerns.

The emphasis gradually shifted from private finance sources to those administered by local and central authorities — a process best represented by the role of SwedYards, a grouping of most of the larger Swedish yards in the public sector.

Since the mid-1970s there has been a succession of plans issued by SwedYards, all pointing towards a contraction of traditional shipbuilding and concentration upon alternative production and activities. These latter have been mainly concerned with ship repair and construction for the growing offshore market, in which the Swedes were anxious to gain a foothold.

This restructuring of the industry could not be undertaken overnight; nor could it be realized without injections of fresh capital. The state, showed itself prepared to foot the bill, but on strict conditions which would drastically curtail the size and scope of the industry. This has meant the closure of some large yards, and others have gone over to alternative production.

Workforces have been reduced. In some instances, the state is to keep a smaller but highly specialized industry which can call on the most advanced technology and will ultimately be restored to economic viability, if not profitability.

This process has now gone on for several years, and the proof of the state's intention has already been seen. Oresundsvarvet, near Malmö, is scheduled for closure over the next couple of years, with only a marginal level of alternative engineering activity replacing it. This decision has been taken in spite of the political sensitivity of Oresunds's position as by far the largest employer in a small community.

Even though the yard is engaged on some exciting and profitable projects, the state, through SwedYards, is adamant and existing projects that show potential will almost certainly be transferred elsewhere.

This wholesale involvement by the state will not continue once the industry has regained its equilibrium. What happens (and with SwedYards' losses for 1980, this time looks like being some way off), the private financing channels will be expected to revert to their usual role. Loan capital, however, remains very scarce in Sweden; and this has not made conditions easier for those parts of the industry still outside the public sector.

But the Swedes are resilient and their powers of recovery are impressive. Already there are signs that the falls in gross national product during the first two quarters of this year will be more than contained in the second half. Exports are expected to increase.

The other side of the coin cannot be ignored, however. Equity in the state is very tight, and the number of industrial bankruptcies in the first quarter of 1981 showed a 50 per cent increase compared with the same period in 1980.

Nor can Sweden afford the level of industrial unrest which has characterized the last two years, costing the country as much as 1,800m kronor a week during the most recent conflict. These may be symptoms of rebirth pains rather than the contractions of a chronically sick economy; but only time and Sweden's recovery will tell if this is so.

Not all bankers like partnership with the state, which says it is proud to be 100 per cent Danish owned, formerly conducted its London business through a consortium in which nine other banks participated, but it bought them out in 1979. On the other hand, the bank's reputation, which has a representative office in the City, is looking at possible ways of entering into an association with a limited number of others.

Part of the pressure to merge comes from restrictions imposed by British legislation. Postbank of Finland owns 87 per cent of PK & Co. (UK), which opened in London at the beginning of this year. The cryptic letters are necessary because the company, as a licensed deposit-taker, cannot use 'bank' (Finnish for bank) in its title.

The London office of Sweden's PK Bank received its licence as a deposit-taker in September. Its aim is to achieve full banking status under the regulations. Christiania Bank, from Norway, is among those which have a representative office in London. Some Nordic co-operative banks have a small share in London and Continental Bankers.

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Set up for life at age of 36

The infant terrible of Danish banking is Mr Alex Brask Thomsen, a former chemical dealer who revolutionized the industry when he entered it in 1955 by advertising for money. As founder and chairman of Finansbanken, Mr Brask Thomsen has been sales oriented since his early days in the chemical business. It was then that he learnt the importance of reaching the consumer market by advertising his products. When he left chemicals and went into finance by buying the Copenhagen Credit Bank he took this philosophy with him.

Of his new career Mr Brask Thomsen says: "I wanted a change and liked the thought of being independent and earning a lot of money. I did a marketing survey and wrote a list of the sort of work I would like to do. Something that did not smell like chemical products, something that did not take too much room and above all something that was in demand — in other words: money."

Much to the consternation of his competitors he started to advertise the bank's high interest on deposits. He marketed his product in a way no other bank would have dared: large advertisements appeared in the press. In those days the 160 Danish banks had the same interest on deposits and loans, so Mr Brask Thomsen advertised at a higher rate, primarily on savings deposits.

In 1957 he sold the bank, making enough profit to live off his money for the rest of his life — at the age of 36. But the following year he founded Finansbanken and started to specialize in mortgages for single-family houses. Today Finansbanken has some 50,000 mortgages — more than all the other banks together. At that time mortgages were not considered advanced enough in the banking world.

One of Finansbanken's principles is to establish mutual confidence between the bank and its customers. This has resulted in a monthly letter from Mr Brask Thomsen to his customers, published in the press and available in the 46 branches throughout the country. The letters explain the bank's business in an easily understandable way.

The international economic recession has not hit Finansbanken, which is among the 10 leading banks in Denmark. Contrary to the general decline in 1980, the bank had its largest turnover, with a net profit of 64m kroner, compared to 41m kroner in 1979.

Finansbanken is represented in the Cayman Islands and Zurich and is continuing to expand its international connections. About one-third of the bank's 30,000 shareholders live outside Denmark and of

Men in the daring Norse mould

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the bank's total deposits of 2,700m kroner, some 700m kroner come from non-residents. Mr Brask Thomsen lives in Switzerland and says that he receives his inspiration and ideas when walking or running up mountains. Unpredictable as ever, Mr Brask Thomsen has now decided to merge Finansbanken with Jyske Bank, another of the top-10 banks. The merger will create the sixth largest bank when it receives final government approval.

Asked why he decided to sell, he says: "I want to get out rather than leave the bank to my children. In principle I am against inheritance. One ought to give one's children all the mental input one can, and not donate too many material goods."

As for the future, Mr Brask Thomsen is considering several possibilities. One is to sell cut-price air tickets; another is to go into newspapers, an industry he finds old-fashioned. He says: "The front page of one of the leading Danish newspapers has the same layout as when I was born. This industry needs renewal."

Annelise Hopson

Fishing in the Faroes

To the Faroe Islands, situated in the remote North Atlantic half-way between the Shetlands and Iceland, fish means just about everything. With a total catch of 924,000 tons last year, the Faroes are the biggest per capita fishing nation in the world. Some 95 per cent of all exports are fish and a then, major changes in the whole pattern of Faroese fishing have occurred, with the Faroes, who traditionally fished in far-flung waters, forced increasingly back to fishing mainly in their own territorial waters.

This largely reflects policies and conservation measures by EEC states and the setting-up of 200 mile off-shore fishing limits. Meanwhile the Faroes are experimenting with new fish species garnered from their own waters, processing the abundant blue whiting, for example, used purely for fish meal and oil, for human consumption. Vigorous attempts at diversification are also under way with Faroe says Mr Birgit Danielsen, Sea Food establishing joint venture activities in Greenland and Canada, and selling skill to African and South American countries with no fishing traditions.

Financing plays a major role in Faroe's economic development. The investment paid off the Russians' way, the perilous escape route to Sweden became the couple's last chance. This time, the price exacted by an Estonian fisherman operating off the Finnish coast was two of the three diamonds in Mrs Jalakas's wedding ring. The investment paid off handsomely. Quickly mastering Swedish and acquiring "intellectual refugee" status, Mr Jalakas was snapped up by the Stockholm School of Economics. In June 1946 he started an unbroken career with Svenska Handelsbanken.

In 1955 he was promoted to head the economics department. In 1963 he became a member of the board of management and since 1975 he has borne the title of chief economist. Refreshingly forthright, his views on the Swedish malaise are keenly sought.

Mr Jalakas's diagnosis is that a series of weak governments, manned by inexperienced politicians, all sacrificing everything in the name of full employment, have deferred necessary changes in the Swedish economy.

Not that Mr Jalakas takes an unduly jaundiced view of his adopted country. He believes that ordinary Swedes, imbued with more common sense than their rulers, understand economic realities and would be prepared to accept a necessary 5 per cent cut in their standard of living. Whatever happens, Sweden will, he is confident, pay its debts, and proposals by the Social Democrats (who are likely to regain power in September 1982) for a production factor tax may succeed if they are subtly linked with pay deals.

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Frozen fillets accounted for 350m kroner or about 36 per cent of export sales, the second most successful product being traditional salt fish, mostly sold to southern European countries (254m kroner), followed by frozen shrimps (173m kroner), pet food, fishmeal and fish oil. Recent years have seen a switch away from North America to the EEC as the biggest market for Faroese fish produce.

In the United States, Faroese fish is marketed by the New York-based Icelandic Coldwater Seafood Corporation and in Britain by the Chaldur Frozen Fish Company of Grimsby. Set up in 1964, Chaldur, with a turnover last year of £10.5m, is building a new £1m processing plant and distribution centre at Grimsby. A new Faroe Sea Food plant, designed to penetrate the continental European market, was established earlier this year in Hirtshals, Denmark, modelled on the Chaldur operation.

Before 1978 the Faroes were able to fish almost

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Donald Fields

London: the essential address even if shared

by Patrick O'Leary

London remains a magnet for Nordic banks of all kinds. Relaxation of currency controls enables them to raise capital for their customers and to operate in international markets. Some are moving in for the first time, others are expanding established representation. Most work in conjunction with other banks from their own or neighbouring countries, but a few prefer to go it alone.

Biggest grouping is the Scandinavian Bank, which came to London in 1969. This consortium consists of two Swedish banks, Skandinaviska Enskilda and Skanska, two from Denmark, Den Danske and Den Danske Provins, with the Union Bank of Finland, Norway's Bergen, and Landsbanki Islands (Iceland). Shareholdings vary, the first named having 34.8 per cent and the last 3.2 per cent.

Last year produced record results for the bank, whose loan portfolio is predominantly Scandinavian. But Mr Garrett F. Bouton, chief executive and managing director, gave a warning that margins were at historic lows, and there was no reason to think they would increase in the short term.

However, a fall in sterling against other currencies had benefited the Scandinavian Bank, and he looked forward to the opening of an agency bank in Los Angeles in September. Next year the London staff will move from Leadenhall Street to a refurbished building facing St Paul's.

A second consortium, the Nordic Bank, has been in London for 10 years and moved into new premises near Billingsgate last September. Its equal partners are Copenhagen Handelsbank (Denmark), Den Norske Creditbank (Norway), Kansallis-Osake-Pankki (Finland) and Svenska Handelsbanken (Sweden).

This consortium is affiliated to the Nordic American Banking Corporation in New York and has a 60 per cent stake in Noordfinanz-Bank Zurich. About two thirds of Nordic's lending is connected directly or indirectly with Nordic countries, the shipping industry playing an important part in its business. The bank sometimes cooperates with the Scandinavian consortium in large fund-raising operations, and shares the view that 1981 will be a difficult year.

Nordic takes a special interest in the Far East, and recently signed a cooperation agreement with the state-owned China International Trust and Investment Corporation. It is intended to promote joint ventures between Chinese organizations and companies in Britain, Denmark, Finland, Norway and Sweden.

Since the Chinese lack foreign currency and like to borrow long at low fixed rates of interest, finance is an essential feature of doing business there.

A different kind of presence in London was established on June 3 when the Bank of Helsinki, Sundsvallsbanken of Sweden and Forstningsbanken of Norway entered a joint venture with Dow Banking Corporation of Zurich. The Swiss bank, in which Dow Chemical of the United States has a majority stake, has been in London for more than 10 years. It holds 52 per cent of the capital in the newly formed Dow Scandia Banking Corporation and the others have 16 per cent each.

No shortages were visible at the wedding, a case of willing brides finding a partner who was happy to mate. They will be leaving the overcrowded sixth-floor headquarters in Old Jewry for a refurbished home in Moorgate later this year.

One possible reason for the continuing success and growth of the savings bank movement in Norway and Sweden is that both countries still possess a strong, almost puritanical savings ethic which permeates the lowest levels of society.

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Despite increased coverage by the commercial banks, the position of the savings banks has remained almost unaltered during the past few years. In spite of the tightness of money and the way in which this has tended to hit the private borrower, in Norway the market share of the savings banks, pressed as a percentage of total deposits made during 1980, remained almost unchanged at 39.5 per cent, compared with 38.1 per cent in 1979.

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Perhaps the most important role played by the savings banks for the private borrower, is that of financing house buying. Building societies do not exist in Scandinavia, and it is usual — especially at the local level — for the savings bank to provide the capital where the property does not qualify for aid through the national house-buying finance institution, or a top-up loan where the borrower's requirements are more modest.

Even baby has bank account

by David Parton

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-and the bank that knows how to help you

To you, Norwegian may seem a difficult and strange language. You will also find that there are more than 60,000 official documents in Norway, some of which may concern you. Where do you begin?

If you intend to do business in a foreign country, the best advice is to first establish contact with someone who knows the language, the society and the documentation. It should be a contact able to add depth to your knowledge so that you can make the necessary decisions.

Bergen Bank has more than 125 years of national and international banking experience. It has over 100 offices and branches covering all the important

centres of Norway, and internationally, the bank has contacts with about 6,000 banks.

Over the years we have built-up a thorough knowledge of Norway's business life, including oil activities. In fact, Bergen Bank has been engaged in the oil business since its conception in 1965. Today many of Norway's leading companies, and most of those in the oil industry, use Bergen Bank.

So when you are establishing your business in Norway, contact Bergen Bank first, because we know what you need to know.



-knows Norway

The mark of confidence.

If you are entering the Danish market, there is a need for a bank that is trusted inside as well as outside Denmark. A bank you can have confidence in. A bank that has confidence in you. That is how we have built our reputation in banking. Den Danske Bank. The bank that has made its mark.



12, Holmens Kanal, DK-1092 Copenhagen K
Phone 451-156500, Telex 27000, Telegrams DENDANSKE

FINANCIAL NEWS

Stock markets

Electricals lead modest rally in equities

It was the turn of the electrical sector to dominate the market yesterday.

A strong overnight performance accompanied by some bear closing saw prices called higher first thing, but the lack of follow-through saw the rally running out of steam by mid-morning.

Still, dealers eagerly awaited the first batch of figures from several of the leading electrical companies during the day. Full-year figures from the Chloride Group were hardly conducive to good business. These revealed a loss of £22m accompanied by a request to shareholders for £18m by way of a convertible rights issue. The shares plunged 7p to 27p. Rascal had to wait several hours for its chairman's statement before rising 5p to 38p, and Ferranti managed a 10p rise at 535p, also after figures.

Nevertheless, the rest of the market remains confident with very few sellers. The FT Index was 2,474 higher at 10 am and went on to show a rise of 4.7 at 3 pm before closing 3.9 up at 548.4.

Gilt, still waiting for further news on the US interest rate front, lost ground after yesterday's strong gains. Jobbers reported only minimal interest with prices £1 to £1.10 lower in lings and £1 to £1.16 down in shorts.

Leading industrials made only small progress in a thin market. ICI rallied 6p to 250p, Becton 4p to 22p, Glaxo 2p to 35p, Unilever 5p to 580p, Blue Circle 8p to 48p, Dunlop 2p to 80p and Hawker Siddeley 2p to 32p. One bright spot was

British Aerospace, up 6p at 228p after its linkup with IBM for the European satellite venture.

Shares of Irish group Energy Sources 'B' were placed at 10p and soon rallied to 25p or 15p premium.

On the bid front, Wm Collins strengthened 3p to 231p after publication of its defence document on the bid from News International, up 2p at 113p. But it was electricals that held most of the attention even though jobbers remained disappointed with turnover as they played a highly defensive game. Plessey, awaiting figures later today, hardened 4p to 332p with favourable comment on the video market responsible for a 14p rise on Thorn EMI at 400p, 8p on Electronic Rentals at 112p and 7p on Granada at 243p.

Trading losses and no dividends wiped 2p from Duport at 111p with failure to pay the preference dividend clipping 3p from Evered at 20p. A profits setback left Powell Duffryn 13p lower at 273p with disappointing trading news also leaving Irish Distillers 42p

49p after figures. Hicking Pentecost rose 2p to 83p, also after results. Awaiting figures today, Baker Perkins advanced 4p to 80p. Still reflecting on recent performance Mansfield Brewery put on 10p at 244p but Hambros shed 50p to 890p.

A big seller of Gas & Oil Acreage yesterday placed more than 5 per cent of 250,000 shares of the group with several institutions at 445p a share. The price closed unchanged at 465p. Recently the group celebrated the fact that its interest in the Buchan Field, where it holds 5 per cent, had come on stream.

lower at 51p, BPB Ind 2p off at 244p and Chubb 4p down at 31p ahead at 221p and Avaya 8p higher at 291p.

Banks lost ground amid profit taking after earlier suggestions

of imminent United States bids. Barclays fell 7p to 426p, Midland 7p to 326p, Lloyds 5p to 388p and Nat West 13p to 383p.

In mines merger proposals left Western Holdings 11p lower at £26 11/16, but added 95c to FS Sasiplass at 635c and \$1 to Welkom at \$13. Mount Charlotte ended unchanged at 221p after terms of a £2.83m rights issue.

Equity turnover for June 23 was £104.223m (bargains 14,304). Active stocks yesterday, according to the Exchange Telegraph, were Rascal, BPB Ind, Ferranti, Plessey, European Ferries, Becton and British Aerospace.

Traditional options: Dealers reported quieter conditions yesterday. Calls were made in target at 31p, First National Finance at 31p, Shackleton Petroleum, and Intervision at 41p.

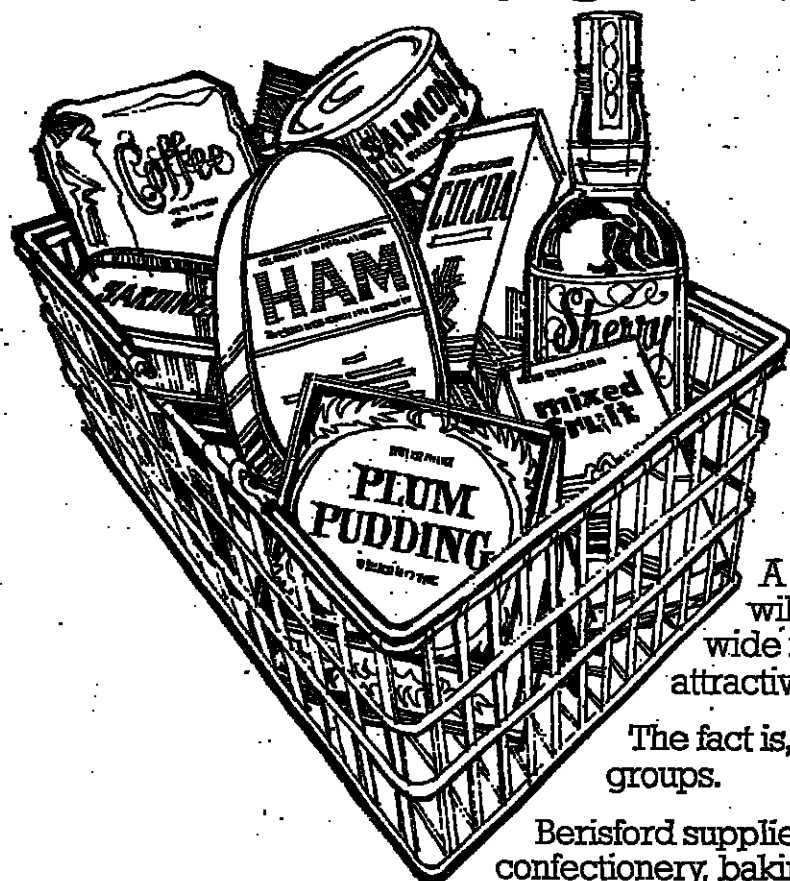
Traded options: Conditions remained quiet with only 961 options written, 182 of which were puts. Grand Met led the field with 179 contracts followed by Rascal on 177.

Latest results

Company	Sales	Profits	Earnings	Div	Pay	Year's
Int or Fin	£m	£m	per share	pence	date	total
Anglia TV (I)	16.9(16.58)	2.4(2.96)	18.8(18.1)	2.2(2.0)	9/7	—(5.0)
Ashdown Inv (I)	—(—)	0.48(0.54)	—(—)	1.5(1.8)	14/8	—(6.2)
Brick's Duffryn (F)	28.9(28.8)	2.18(2.54)	8.84(9.9)	3.2(3.2)	—	—
BPB Ind (F)	361.3(341.4)	42.1(47.08)	32.4(37.6)	5(5)	14/8	9.0(9.0)
Chubb (F)	244.6(230)	6.33(7.21)	4.17(4.94)	3.4(3.4)	28/8	5.42(5.42)
Chloride (F)	2.83(3.28)	0.58(0.74)	2.25(2.39)	—(2.3)	—	—(4.0)
Colson (F)	352.9(352)	13.9(15.6)	16.2(18.8)	—(5.24)	—	—(5.24)
Dunlop (F)	153(193)	18.1(11.2)	40(27.51)	4(2)	1/10	6(5)
Ferranti (F)	271.5(214.6)	0.3(0.74)	7.01(27.98)	4(5.8)	18/8	—(3.06)
Hickling (F)	11.3(11.5)	2.6(4.36)	10.85(3.58)	2(1)	4/8	3(2)
Irish Dist (F)	61.9(54.8)	0.25(0.23)	4.08(1.49)	—(0.44)	24/8	14.25(13.25)
Irish Oil (F)	16.2(20.58)	2.65(0.63)	36.8(39.9)	3.4(3.07)	18/8	4.55(4.125)
Arthur Lee (I)	23.9(38.3)	14(15.38)	18.6(18.06)	2.2(2.2)	11/8	—(6.0)
Powell Duffryn (F)	435(440)	72.2(51.4)	2.17(2.61)	—	—	—
Sasol (F)	336.4(446.6)	1.41(1.64)	—	—	—	—
Throgmorton Trst (I)	—(—)	—	—	—	—	—

Dividends in this table are shown net of tax on pence per share. Elsewhere in British News dividends are shown on a gross basis. To establish gross multiply the net dividend by 1.428. Profits are shown pretax and earnings are net. *Loss.

This advertisement is published by County Bank Limited on behalf of S&W Berisford Limited

To the shareholders of
British Sugar CorporationWHICH SHOPPING BASKET WOULD
YOU RATHER HOLD?

A glance at the basket on the left will tell you that, with Berisford's wide range of products, it is the more attractive of the two.

The fact is, Berisford is one of Britain's major food groups.

Berisford supplies the food manufacturing industry—confectionery, baking, canning, beverage and meat companies—and it imports, manufactures and distributes foods sold either under Berisford's own brand names or by the country's leading retailers under their own labels. Whether it be chocolate, canned fish or meat, dried fruit, coffee, spices or a host of other products—the housewife is buying Berisford's.

Berisford's involvement in the food industry for over a hundred years has given it a wealth of experience. This has been recognised by government and industry, including British Sugar, who have employed Berisford as consultants.

Now Berisford is bidding for British Sugar, an acquisition which would bring together two companies with complementary activities and a mutual interest (Berisford has been a leader in the sugar business for over a century). Already we own, or have acceptances for over 39% of British Sugar. The Government will also accept for its shareholding of 24.17% if a majority of the uncommitted British Sugar shareholders accept our offer. So your decision is important.

Choose the third basket and you will be opting for a strong company with a broad base in the food industry and a combination of experience, flair and financial strength.

BRITISH SUGAR NEEDS BERISFORD

ACCEPT OUR FINAL OFFER
WITHOUT DELAY

S&W Berisford

Acceptance forms must be received by 3pm, Wednesday, 1st July 1981. They should be forwarded to National Westminster Bank Limited, New Issues Department, PO Box 78, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD. If you have lost or mislaid your Form of Acceptance and Transfer telephone 01-638 6000.

The Directors of S&W Berisford Limited have taken all reasonable care to ensure that the facts stated and the opinions expressed herein are fair and accurate, and each Director of Berisford accepts responsibility accordingly.

Chubb hit
by doubled
interest

By Margaret Pagan

Chubb no longer bears trading losses from its cash register business but nearly doubled interest charges of £5.11m cut pretax profits from £7.2m to £2.09m in the year to March 1981. However, this disguises the 23 per cent improvement in trading profits to £12.9m, after redundancy and reorganisation costs of £1.2m. Sales rose by 6 per cent to £244.7m.

The final gross dividend, unchanged at 4.56p, comes as a relief, making a total of 7.74p gross. Nevertheless, the shares gave up 4p to 91p. Mr William Randall, the chairman, said yesterday that the £10m provision set aside last year to cover cash register losses was proving adequate, but had resulted in higher interest charges. Total borrowings rose by some £14m in the year to £50m.

The increase in trading profits was largely brought about by eliminating trading losses in cash registers, but shows the group's underlying potential.

Midlands-based mechanical engineering activities—such as Chubb Lock and Safe—were the worst hit by the recession, with trading profits falling by more than 50 per cent. But Chubb Fire Security and Chubb Electronics both defied the trend to report higher earnings.

The cash register business, which has ceased manufacturing, is now split into Chubb Cash Registers, operating at break even, and Chubb Integrated Systems, the unprofitable cash dispenser business.

R Paterson climbs
50pc for year

With Schwartz Spices making a full contribution to profits since January, food group R. Paterson and Sons has pushed its profits up by 50 per cent to £308,000 for the year to March 28. Turnover rose by 18 per cent to £20.3m. The dividend was raised from 2.9p to 3.1p gross.

The board hopes to report an even more satisfactory performance for 1981-82.

Powell Duffryn slips
to £14m for year
but raises dividend

Powell Duffryn, the industrial holding group, yesterday blamed the effects of the recession on its construction activities and industrial action in its shipping division for the slide in profits in the year to March 1981.

Pretax profits fell by 11.8 per cent to £14m on sales that rose by £15m to £44.1m. But the final gross dividend is higher at 13.6p making a total gross for the year of 20.35p, a 7.5 per cent increase on the previous year. The shares, however, gave up 13p to 273p on the news.

Trading profit, reflecting a fall in profits from engineering, shipping and construction services, dropped by 5 per cent to £18.8m. Increased interest charges, up £1m to £4.8m, result from a planned growth in borrowings to finance expansion both at home and overseas. Borrowings rose slightly to represent 30 per cent of shareholders' funds compared with 28 per cent at the last year end.

Viscount Sandon, the chairman, said yesterday that the year had started well with improved results at the half-way stage. But, as predicted last November, construction activities suffered from the recession in the second half. Trading profits in the construction division slipped from £3.5m to £1.9m on sales down £3m at £72.9m.

Heavy costs resulted, he said, from the industrial action by

the National Union of Seamen in January and February. Despite this action the ship-owning companies turned in satisfactory results but were offset by poor profits from shipping services. The engineering division saw poor home trading but produced reasonable results overall, sliding £1m to £4.6m, on sales up by £1m to £69.5m.

But the group's bulk liquid storage and fuel distribution divisions both recorded growth. Fuel distribution profits were £1.3m ahead at £6.6m and bulk storage £800,000 at £2.3m. Discontinued activities, including Pollution Control, are covered by the £1m loss.

The bulk liquid division saw profits coming through from recent heavy investment, particularly from Australia, and the United States. Profitable fuel distribution was better than expected with French interests turning in strong results. In the construction division the new concrete brick making company reported a significant first year profit, as expected, timber and quarrying profits were down.

Higher capital spending saw overseas trading profits rise £2.6m to £4.7m.

Streamlining and redundancy costs are covered in £800,000 extraordinary item. The group is said to be looking with interest to potential acquisitions in the United States.

Mount Charlotte seeks
£2.8m for expansion

Mount Charlotte Investments yesterday called on shareholders for £2.83m after expenses, to fund further expansion of its provincial hotel network, and particularly its new Hospitality Inns.

The rights issue for £2.96m of 91 per cent convertible secured loan stock at par is on the basis of £1 nominal for every 11 ordinary shares. The shares were unchanged on the news at 224p.

Over the past four years and a half the group has spent some £5.4m to improve and renovate its hotels. During the period it used a further £1.6m on hotel and land purchases to bring the total to 27 hotels with 1,779 bedrooms.

Investment was financed by earnings, bank borrowings

(which now stand near £5m) and disposal of surplus assets. Mr Robert Peel, the managing director, says the group is now looking to broaden its capital base. This will enable financing of new purchases and further upgrade its prime city centre sites, located in the larger provincial cities, are ready to be upgraded into low-cost, commercial Hospitality Inns aiming to attract the business customer, he said. The first Inn is due to be opened in Harrogate next month.

The first 20 weeks of this year compare favourably with last year and the group expects an improvement in the full year.

The issue is underwritten by Robert Fleming & Co.

Briefly

Bayer AG world group sales rose by about 11 per cent in the first six months of this year from DM15,050m (£3,195m) in the first half of 1980. Parent-company first half 1981 sales were £4 per cent up on the DM6,510m in the corresponding 1980 period. Bayer is also raising DM250m (£50m) by a one-for-ten rights issue—Kaiser, Cologne.

F. J. C. Lilley has bought 80 per cent of Ferro-Chem. Construction of Louisiana for \$4m (£2m). L. L. has also bought 80 per cent of B. W. Curbow, gas and oil pipeline contractors, of Texas, for £24,000.

P. & W. Macellan is in talks for the sale of its paint manufacturing outfit, 'Federated Paints', to Russell-Permease. Overall benefit to Macellan is expected to be over £500,000 payable in cash.

Total's US subsidiary, American Thread, has bought Donahue Sales for \$9.25m (£4.6m) in cash, which is a substantial discount on the asset values.

Stone-Plant Industries: At the UGM of the debenture stockholders the resolution sanctioning the proposals for early repayment of the debenture stock was passed by stockholders.

Bund Pulp & Paper and RTZ Chemicals have reached agreement in principle for the purchase by RTZ Chemicals of Bund Adhesive Materials, Scarborough, a Bund subsidiary engaged in the manufacture of self-adhesive label stock. Bund Pulp state that the purchase consideration, payable in cash and less than 3 per cent of its net assets employed, will be determined by reference to audited accounts at June 30, 1981.

Brickhouse Dudley: Sales for year to March 31, 1981, £28.92m (£28.82m). Pretax profits, £2.18m (£2.54m). Total dividend held at 4.57p gross.

Irish Distillers: Turnover for half-year to March 31, 1981, £181.94m (£184.13m). Pretax profits £12.6m (£19.96m). Interim payment unchanged.

Anglia Television is lifting its America payment from £2.85p to £3.14p gross. Group turnover for half-year to April 30, 1981, £16.91m (£16.58m). Pretax profits, £2.4m (£2.56m).

Codedex (Holdings): Pretax loss for year to March 31, 1981, cut from £748,000 to £598,000 on turnover down from £2.8m to £2.83m. No dividend (same).

BPB profit
down 10pc
at year end

By Catherine Gumm

Plasterboard, building and packaging materials group BPB Industries saw its profits before tax fall by 10.6 per cent to £42.1m, in 1980-81, but the board is maintaining the dividend at 12.9p gross for the year. The shares responded with a 2p fall to 244p yesterday. At the interim stage, profits were only 2 per cent down, at £20.8m pretax.

Sales for the full year to March 31 rose from £341.5m to £361.4m. Poor trading conditions held profits back, while interest costs rose, from £2.9m to £3.88m. However, associate profits rose by 26 per cent to £3.71m.

At home, demand for paper and packaging was particularly poor, forcing down selling prices and leaving BPB with full-year profits of just £3.81m where it had made £9.93m the year before. But overseas packaging sales turned from losses of £190,000 to a £1.15m profit.

Under current cost accounting conventions, the group's profit before tax is £24m.

Bank Base
Rates

ABN Bank	12%
Barclays	12%
BCCI	12%
Consolidated Crdts	12%
C. Hoare & Co	12%
Lloyds Bank	12%
Midland Bank	12%
Nat Westminster	12%
TSB	12%
Williams and Glyn's	12%

* 7 day deposit on sum of £10,000 and under 9% up to £50,000 10%.

M. J. H. Nightingale & Co. Limited
27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212
The Over-the-Counter Market

1980/81	High	Low	Company	Price	Ch'ge	Gross Div	Yld %	Actual	Taxed
76	39	Airprug Group	68	—	4.7	6.9	10.8	14.9	
52	21	Armitage & Rhodes	47	—	1.4	3.0	19.3	44.8	
200	921	Bardon Hill	200	—	9.7	4.9	7.5	12.8	
104	88	Deborah Services	101	—	5.5	5.4	5.0	9.5	
126	88	Frank Horsell	103	—	6.4	6.2	3.2	5.9	
110	39	Frederick Parker	63	—	1.7	2.7	27.4	—	
110	64	George Blair	64	—	3.1	4.8	—	—	
110	59	Jackson Group	109	—	7.0	6.4	3.4	7.7	
130	103	James Barrrough	130	—	8.7	6.7	10.7	10.7	
334	244	Robert Jenkins	314	—	31.3	10.0	—	—	
55	50	Scrutons "A"	55	—	5.3	9.6	8.5	7.9	
224	196	Torday Limited	196	—	15.1	7.6	7.6	13.1	
23	8	Twinklark Ord	141	—	—	—	—	—	
90	68	Twinklark 15% ULS	79	—	15.0	19.0	—	—	
56	35	Unilock Holdings	40	—	3.0	7.5	6.2	9.8	
103	81	Walker Alexander	103	—	5.7	5.5	5.7	9.1	
263	181	W. S. Yeates	252	—	13.1	5.2	4.8	9.7	

This advertisement has been issued by British Sugar Corporation Limited

**WE BACK THE
INDEPENDENCE OF THE MANAGEMENT.
THEY DON'T NEED BERISFORD,
AND WE'RE HAPPY TO BACK THEM.
THE PRICE IS NOT
ATTRACTIVE, ANYWAY.**

**WE'VE CERTAINLY
TAKEN THE VIEW NOT TO
ACCEPT THE OFFER.
BSC ARE DOING
WELL AS THEY ARE.**

**WE'RE NOT
ENTHUSIASTIC ABOUT
BERISFORD'S BID, AND
WILL NOT BE TAKING
ANY ACTION.**

If you want the realistic view, ask the professional investor.

The three comments quoted above were all made recently by senior investment managers at major British insurance companies.

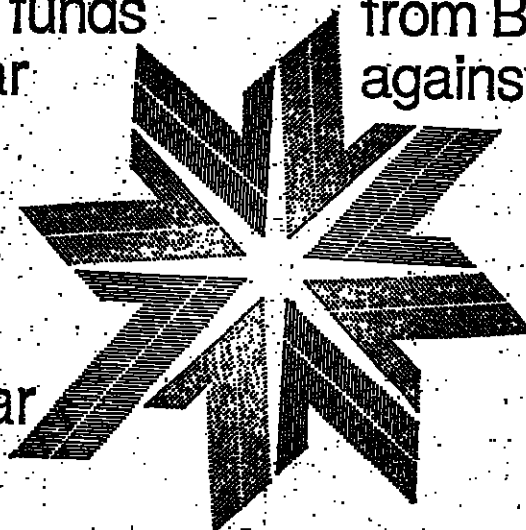
And - since these gentlemen are by definition concerned with the long-term performance of their policyholders' funds - they should make any British Sugar shareholder pretty sceptical about the claim (by Berisford) that accepting the Berisford offer is in his long-term interest.

The fact remains that British Sugar

doesn't need Berisford. British Sugar is an industrial success story with good prospects ahead. The last thing it needs is to be taken over by a management with no relevant industrial experience.

That's why British Sugar employees, from Boardroom to shop floor, are united against the bid.

And that's why we ask you to continue to reject the bid; or, if you've accepted it already, to join the others in revoking your acceptance.
REJECT THE BID



BRITISH SUGAR
CORPORATION LIMITED
THE RECORD SPEAKS FOR ITSELF

Discount market

The Bank of England took surplus funds out of the system yesterday. Houses opened the bidding for secured money at 10 per cent but had to lift their bids to 10½ per cent. In the afternoon, rates fell to 5 per cent at one stage and books were finally ruled off anywhere between 5 per cent and 9 per cent.

Foreign exchange report

The dollar put a further lane spur to finish at its best levels of the day on foreign exchanges. Dealers said the final push was on technical considerations connected with the dealers' for the end-month, end-quarter, mid-end-half year.

Sterling dropped away to \$1.9800 against the dollar at the close, a loss of 1.90 cents on the day. The effective exchange rate for the dollar declined steadily to 0.5 down at 95.6. As well as

reflecting a stronger dollar, sterling was depressed by a sizable commercial selling order out of Switzerland, dealers said.

The French franc came under pressure on the commodities appearance, but finished off the bottom at 5.6835, compared with 5.6575 overnight. German marks fell from 2.3572 to 2.3737, and Swiss francs were finally down from 0.6320 to 0.6300. The dollar dropped from 221.70 to 222.75.

Wall Street

New York, June 24.—Stocks on the New York Stock Exchange closed lower with the index down 0.42 to 77.00 and the average price per share of 19 cents. The Dow Jones industrial average fell 7.33 to 999.33 declines led advances by 932 to 537. and volume narrowed to 46,650,000 shares from 51,840,000 Tuesday.

Other

Markets

Australia	1.7123-1.7260
Bahrein	0.7460-0.7490
Finland	8.7075-8.7475
Greece	.113.55-115.55
Hongkong	10.8690-10.9090
Iran	Not available
Kuwait	0.555-0.555
Malaysia	4.573-4.603
Mexico	47.75-49.75
New Zealand	2.293-2.313
Saudi Arabia	6.744-6.774
Singapore	4.2125-4.2425
South Africa	1.7130-1.7280

Sterling: Spot and Forward

	Market rates (day's range)	Markets (close)
	June 24	June 24
New York	\$1.9720-9930	\$1.9795-5
Montreal	\$2.3680-3880	\$2.3715-5
Amsterdam	5.22-5251	5.22-5251
Brussels	14.20-20 40f	78.95-95 40f
Copenhagen	14.20-81k	14.71-71 70f
Dublin	1.2815-2940p	1.2825-26
Frankfurt	4.68-73m	4.68-70m
Lisbon	124.00-125.00c	124.00-00c
Madrid	186.75-188.25p	187.00-34p
Milan	2334-511r	2335-001r
Paris	211-80k	211-80k
Stockholm	1.20-35f	1.12-24-25f
Tokyo	9.93-10.01k	9.93-95f
Vienna	440-45f	441-42f
	33.10-40sch	33.17-22c

Indices

	Bank of England Index	Morgan Guaranty Changes
Sterling	95.8	-29.3
US dollar	107.9	+1.7
Canadian dollar	87.7	-17.2
Schilling	111.6	+21.3
Belgian franc	105.5	+0.2
Danish kroner	86.2	-11.6
Deutsche mark	116.8	+38.2
Swiss franc	137.9	+63.3
Guilder	108.6	+14.4
French franc	82.6	-12.4
Lira	57.5	-55.7
Yen	143.8	+37.9

Dollar Spot Rates

Ireland	1.5400-1.5420
Canada	1.1891-1.1895
Netherlands	2.6335-2.6390
Belgium	38.76-38.77
Denmark	7.4273-7.4330
East Germany	2.3700-2.3810
Portugal	62.65-62.82
Spain	94.50-94.66
Italy	1180.50-1181.55
Norway	5.9120-5.9115
France	5.6750-5.6850
Sweden	5.0200-5.0220
Japan	222.65-222.80

Money Market Rates

(Last changed 10/3/81)

Clearing Banks Base Rate 12%

Discount Mkt Loans 6%

Overnight: High 10% Low 8

Week Fixed: 11 1/2-11

Treasury Bills (Dis %)

Buying Selling

US commodities

Cattle trading, CHICAGO IMM.	
\$523.20	asked; Sept., \$534.90
asked; Oct., \$540.80	asked; Dec., \$550.00
asked; Jan., \$545.00	asked; Apr., \$550.00
asked; June, \$550.00	asked; Aug., \$574.80
asked; Sept., \$558.00	asked; July, \$560.00
asked; Oct., \$567.00	asked; Nov., \$570.00
asked; Dec., \$570.00	asked; Jan., \$575.00
asked; Feb., \$580.00	asked; Mar., \$585.00
asked; Apr., \$590.00	asked; May, \$600.00
asked; June, \$610.00	asked; July, \$620.00
asked; Aug., \$640.00	asked; Sept., \$650.00
asked; Oct., \$660.00	asked; Nov., \$670.00
asked; Dec., \$680.00	asked; Jan., \$690.00
asked; Feb., \$700.00	asked; Mar., \$710.00
asked; Apr., \$720.00	asked; May, \$730.00
asked; June, \$740.00	asked; July, \$750.00
asked; Aug., \$760.00	asked; Sept., \$770.00
asked; Oct., \$780.00	asked; Nov., \$790.00
asked; Dec., \$800.00	asked; Jan., \$810.00
asked; Feb., \$820.00	asked; Mar., \$830.00
asked; Apr., \$840.00	asked; May, \$850.00
asked; June, \$860.00	asked; July, \$870.00
asked; Aug., \$880.00	asked; Sept., \$890.00
asked; Oct., \$900.00	asked; Nov., \$910.00
asked; Dec., \$920.00	asked; Jan., \$930.00
asked; Feb., \$940.00	asked; Mar., \$950.00
asked; Apr., \$960.00	asked; May, \$970.00
asked; June, \$980.00	asked; July, \$990.00
asked; Aug., \$1000.00	asked; Sept., \$1010.00
asked; Oct., \$1020.00	asked; Nov., \$1030.00
asked; Dec., \$1040.00	asked; Jan., \$1050.00
asked; Feb., \$1060.00	asked; Mar., \$1070.00
asked; Apr., \$1080.00	asked; May, \$1090.00
asked; June, \$1100.00	asked; July, \$1110.00
asked; Aug., \$1120.00	asked; Sept., \$1130.00
asked; Oct., \$1140.00	asked; Nov., \$1150.00
asked; Dec., \$1160.00	asked; Jan., \$1170.00
asked; Feb., \$1180.00	asked; Mar., \$1190.00
asked; Apr., \$1200.00	asked; May, \$1210.00
asked; June, \$1220.00	asked; July, \$1230.00
asked; Aug., \$1240.00	asked; Sept., \$1250.00
asked; Oct., \$1260.00	asked; Nov., \$1270.00
asked; Dec., \$1280.00	asked; Jan., \$1290.00
asked; Feb., \$1300.00	asked; Mar., \$1310.00
asked; Apr., \$1320.00	asked; May, \$1330.00
asked; June, \$1340.00	asked; July, \$1350.00
asked; Aug., \$1360.00	asked; Sept., \$1370.00
asked; Oct., \$1380.00	asked; Nov., \$1390.00
asked; Dec., \$1400.00	asked; Jan., \$1410.00
asked; Feb., \$1420.00	asked; Mar., \$1430.00
asked; Apr., \$1440.00	asked; May, \$1450.00
asked; June, \$1460.00	asked; July, \$1470.00
asked; Aug., \$1480.00	asked; Sept., \$1490.00
asked; Oct., \$1500.00	asked; Nov., \$1510.00
asked; Dec., \$1520.00	asked; Jan., \$1530.00
asked; Feb., \$1540.00	asked; Mar., \$1550.00
asked; Apr., \$1560.00	asked; May, \$1570.00
asked; June, \$1580.00	asked; July, \$1590.00
asked; Aug., \$1600.00	asked; Sept., \$1610.00
asked; Oct., \$1620.00	asked; Nov., \$1630.00
asked; Dec., \$1640.00	asked; Jan., \$1650.00
asked; Feb., \$1660.00	asked; Mar., \$1670.00
asked; Apr., \$1680.00	asked; May, \$1690.00
asked; June, \$1700.00	asked; July, \$1710.00
asked; Aug., \$1720.00	asked; Sept., \$1730.00
asked; Oct., \$1740.00	asked; Nov., \$1750.00
asked; Dec., \$1760.00	asked; Jan., \$1770.00
asked; Feb., \$1780.00	asked; Mar., \$1790.00
asked; Apr., \$1800.00	asked; May, \$1810.00
asked; June, \$1820.00	asked; July, \$1830.00
asked; Aug., \$1840.00	asked; Sept., \$1850.00
asked; Oct., \$1860.00	asked; Nov., \$1870.00
asked; Dec., \$1880.00	asked; Jan., \$1890.00
asked; Feb., \$1900.00	asked; Mar., \$1910.00
asked; Apr., \$1920.00	asked; May, \$1930.00
asked; June, \$1940.00	asked; July, \$1950.00
asked; Aug., \$1960.00	asked; Sept., \$1970.00
asked; Oct., \$1980.00	asked; Nov., \$1990.00
asked; Dec., \$2000.00	asked; Jan., \$2010.00
asked; Feb., \$2020.00	asked; Mar., \$2030.00
asked; Apr., \$2040.00	asked; May, \$2050.00
asked; June, \$2060.00	asked; July, \$2070.00
asked; Aug., \$2080.00	asked; Sept., \$2090.00
asked; Oct., \$2100.00	asked; Nov., \$2110.00
asked; Dec., \$2120.00	asked; Jan., \$2130.00
asked; Feb., \$2140.00	asked; Mar., \$2150.00
asked; Apr., \$2160.00	asked; May, \$2170.00
asked; June, \$2180.00	asked; July, \$2190.00
asked; Aug., \$2200.00	asked; Sept., \$2210.00
asked; Oct., \$2220.00	asked; Nov., \$2230.00
asked; Dec., \$2240.00	asked; Jan., \$2250.00
asked; Feb., \$2260.00	

Brazil view on coffee pact

Senor Octavio Rainho, president of the Brazilian Coffee Board, said that the interests of Brazil was to have a larger share of exports to the international market in the coffee year beginning in October.

The minimum export price and the contribution quota would be set in real values meaning the end of current artificialities.

Traders said recently a coffee agreement on prices and quotas for the coffee year may be difficult as producing companies may find it hard to decide how to divide export quotas.

Also, Brazil may bring down its minimum export triquetra price and contribution quota at the start of the new international crop year in October, traders said.

Eurosyndicat

The Eurosynical index of European share prices was put provisionally at 137.42 on June 2 against 138.54 a week earlier.

EMS Currency Rates

	ECU central rates	currency against ECU	% change from central rate†	% change adjusted*†	divergence limit‡ plus/minus
Belgian franc	40.7885	41.3156	+1.37	+1.30	1.83
Danish krone	7.181217	7.24659	+0.69	+0.12	1.64
German D-mark	1.36	1.3563	-0.28	-0.28	1.66
French franc	5.98636	6.07354	+1.31	+1.34	1.85
Dutch guilder	2.51318	2.50895	-0.15	-0.12	1.515
Irish punt	0.886145	0.901712	+0.96	+0.99	1.665
Italian lira	1262.92	1260.49	-0.19	-0.16	4.21

Euro-\$ Deposits Gold

(%) calta. 17 $\frac{1}{2}$ -18 $\frac{1}{2}$; seven days.
18 $\frac{1}{2}$ -18 $\frac{1}{2}$; one month. 17 $\frac{1}{2}$ -17 $\frac{1}{2}$;
three months. 17 $\frac{1}{2}$ -17 $\frac{1}{2}$; six
months. 16 $\frac{1}{2}$ -17 $\frac{1}{2}$.

Authorized Units, Insurance & Offshore Funds

1990s	1980s	1970s	1960s	1950s	1940s	1930s	1920s	1910s	1900s	1890s	1880s	1870s	1860s	1850s	1840s	1830s	1820s	1810s	1800s	1790s	1780s	1770s	1760s	1750s	1740s	1730s	1720s	1710s	1700s	1690s	1680s	1670s	1660s	1650s	1640s	1630s	1620s	1610s	1600s	1590s	1580s	1570s	1560s	1550s	1540s	1530s	1520s	1510s	1500s	1490s	1480s	1470s	1460s	1450s	1440s	1430s	1420s	1410s	1400s	1390s	1380s	1370s	1360s	1350s	1340s	1330s	1320s	1310s	1300s	1290s	1280s	1270s	1260s	1250s	1240s	1230s	1220s	1210s	1200s	1190s	1180s	1170s	1160s	1150s	1140s	1130s	1120s	1110s	1100s	1090s	1080s	1070s	1060s	1050s	1040s	1030s	1020s	1010s	1000s	990s	980s	970s	960s	950s	940s	930s	920s	910s	900s	890s	880s	870s	860s	850s	840s	830s	820s	810s	800s	790s	780s	770s	760s	750s	740s	730s	720s	710s	700s	690s	680s	670s	660s	650s	640s	630s	620s	610s	600s	590s	580s	570s	560s	550s	540s	530s	520s	510s	500s	490s	480s	470s	460s	450s	440s	430s	420s	410s	400s	390s	380s	370s	360s	350s	340s	330s	320s	310s	300s	290s	280s	270s	260s	250s	240s	230s	220s	210s	200s	190s	180s	170s	160s	150s	140s	130s	120s	110s	100s	90s	80s	70s	60s	50s	40s	30s	20s	10s	0s	1990s	1980s	1970s	1960s	1950s	1940s	1930s	1920s	1910s	1900s	1890s	1880s	1870s	1860s	1850s	1840s	1830s	1820s	1810s	1800s	1790s	1780s	1770s	1760s	1750s	1740s	1730s	1720s	1710s
1990s	1980s	1970s	1960s	1950s	1940s	1930s	1920s	1910s	1900s	1890s	1880s	1870s	1860s	1850s	1840s	1830s	1820s	1810s	1800s	1790s	1780s	1770s	1760s	1750s	1740s	1730s	1720s	1710s	1700s	1690s	1680s	1670s	1660s	1650s	1640s	1630s	1620s	1610s	1600s	1590s	1580s	1570s	1560s	1550s	1540s	1530s	1520s	1510s	1500s	1490s	1480s	1470s	1460s	1450s	1440s	1430s	1420s	1410s	1400s	1390s	1380s	1370s	1360s	1350s	1340s	1330s	1320s	1310s	1300s	1290s	1280s	1270s	1260s	1250s	1240s	1230s	1220s	1210s	1200s	1190s	1180s	1170s	1160s	1150s	1140s	1130s	1120s	1110s	1100s	1090s	1080s	1070s	1060s	1050s	1040s	1030s	1020s	1010s	1000s	990s	980s	970s	960s	950s	940s	930s	920s	910s	900s	890s	880s	870s	860s	850s	840s	830s	820s	810s	800s	790s	780s	770s	760s	750s	740s	730s	720s	710s	700s	690s	680s	670s	660s	650s	640s	630s	620s	610s	600s	590s	580s	570s	560s	550s	540s	530s	520s	510s	500s	490s	480s	470s	460s	450s	440s	430s	420s	410s	400s	390s	380s	370s	360s	350s	340s	330s	320s	310s	300s	290s	280s	270s	260s	250s	240s	230s	220s	210s	200s	190s	180s	170s	160s	150s	140s	130s	120s	110s	100s	90s	80s	70s	60s	50s	40s	30s	20s	10s	0s	1990s	1980s	1970s	1960s	1950s	1940s	1930s	1920s	1910s	1900s	1890s	1880s	1870s	1860s	1850s	1840s	1830s	1820s	1810s	1800s	1790s	1780s	1770s	1760s	1750s	1740s	1730s	1720s	1710s
1990s	1980s	1970s	1960s	1950s	1940s	1930s	1920s	1910s	1900s	1890s	1880s	1870s	1860s	1850s	1840s	1830s	1820s	1810s	1800s	1790s	1780s	1770s	1760s	1750s	1740s	1730s	1720s	1710s	1700s	1690s	1680s	1670s	1660s	1650s	1640s	1630s	1620s	1610s	1600s	1590s	1580s	1570s	1560s	1550s	1540s	1530s	1520s	1510s	1500s	1490s	1480s	1470s	1460s	1450s	1440s	1430s	1420s	1410s	1400s	1390s	1380s	1370s	1360s	1350s	1340s	1330s	1320s	1310s	1300s	1290s	1280s	1270s	1260s	1250s	1240s	1230s	1220s	1210s	1200s	1190s	1180s	1170s	1160s	1150s	1140s	1130s	1120s	1110s	1100s	1090s	1080s	1070s	1060s	1050s	1040s	1030s	1020s	1010s	1000s	990s	980s	970s	960s	950s	940s	930s	920s	910s	900s	890s	880s	870s	860s	850s	840s	830s	820s	810s	800s	790s	780s	770s	760s	750s	740s	730s	720s	710s	700s	690s	680s	670s	660s	650s	640s	630s	620s	610s	600s	590s	580s	570s	560s	550s	540s	530s	520s	510s	500s	490s	480s	470s	460s	450s	440s	430s	420s	410s	400s	390s	380s	370s	360s	350s	340s	330s	320s	310s	300s	290s	280s	270s	260s	250s	240s	230s	220s	210s	200s	190s	180s	170s	160s	150s	140s	130s	120s	110s	100s	90s	80s	70s	60s	50s	40s	30s	20s	10s	0s	1990s	1980s	1970s	1960s	1950s	1940s	1930s	1920s	1910s	1900s	1890s	1880s	1870s	1860s	1850s	1840s	1830s	1820s	1810s	1800s	1790s	1780s	1770s	1760s	1750s	1740s	1730s	1720s	1710s
1990s	1980s	1970s	1960s	1950s	1940s	1930s	1920s	1910s	1900s	1890s	1880s	1870s	1860s	1850s	1840s	1830s	1820s	1810s	1800s	1790s	1780s	1770s	1760s	1750s	1740s	1730s	1720s	1710s	1700s	1690s	1680s	1670s	1660s	1650s	1640s	1630s	1620s	1610s	1600s	1590s	1580s	1570s	1560s	1550s	1540s	1530s	1520s	1510s	1500s	1490s	1480s	1470s	1460s	1450s	1440s	1430s	1420s	1410s	1400s	1390s	1380s	1370s	1360s	1350s	1340s	1330s	1320s	1310s	1300s	1290s	1280s	1270s	1260s	1250s	1240s	1230s	1220s	1210s	1200s	1190s	1180s	1170s	1160s	1150s	1140s	1130s	1120s	1110s	1100s	1090s	1080s	1070s	1060s	1050s	1040s	1030s	1020s	1010s	1000s	990s	980s	970s	960s	950s	940s	930s	920s	910s	900s	890s	880s	870s	860s	850s	840s	830s	820s	810s	800s	790s	780s	770s	760s	750s	740s	730s	720s	710s	700s	690s	680s	670s	660s	650s	640s	630s	620s	610s	600s	590s	580s	570s	560s	550s	540s	530s	520s	510s	500s	490s	480s	470s	460s	450s	440s	430s	420s	410s	400s	390s	380s	370s	360s	350s	340s	330s	320s	310s	300s	290s	280s	270s	260s	250s	240s	230s	220s	210s	200s	190s	180s	170s	160s	150s	140s	130s	120s	110s	100s	90s	80s	70s	60s	50s	40s	30s	20s	10s	0s	1990s	1980s	1970s	1960s	1950s	1940s	1930s	1920s	1910s	1900s	1890s	1880s	1870s	1860s	1850s	1840s	1830s	1820s	1810s	1800s	1790s	1780s	1770s	1760s	1750s	1740s	1730s	1720s	1710s
1990s	1980s	1970s	1960s	1950s	1940s	1930s	1920s	1910s	1900s	1890s	1880s	1870s	1860s	1850s	1840s	1830s	1820s	1810s	1800s	1790s	1780s	1770s	1760s	1750s	1740s	1730s	1720s	1710s	1700s	1690s	1680s	1670s	1660s	1650s	1640s	1630s	1620s	1610s	1600s	1590s	1580s	1570s	1560s	1550s	1540s	1530s	1520s	1510s	1500s	1490s	1480s	1470s	1460s	1450s	1440s	1430s	1420s	1410s	1400s	1390s	1380s	1370s	1360s	1350s	1340s	1330s	1320s	1310s	1300s	1290s	1280s	1270s	1260s	1250s	1240s	1230s	1220s	1210s	1200s	1190s	1180s	1170s	1160s	1150s	1140s	1130s	1120s	1110s	1100s	1090s	1080s	1070s	1060s	1050s	1040s	1030s	1020s	1010s	1000s	990s	980s	970s	960s	950s	940s	930s	920s	910s	900s	890s	880s	870s	860s	850s	840s	830s	820s	810s	800s	790s	780s	770s	760s	750s	740s	730s	720s	710s	700s	690s	680s	670s	660s	650s	640s	630s	620s	610s	600s	590s	580s	570s	560s	550s	540s	530s	520s	510s	500s	490s	480s	470s	460s	450s	440s	430s	420s	410s	400s	390s	380s	370s	360s	350s	340s	330s	320s	310s	300s	290s	280s	270s	260s	250s	240s	230s	220s	210s	200s	190s	180s	170s	160s	150s	140s	130s	120s	110s	100s	90s	80s	70s	60s	50s	40s	30s	20s	10s	0s	1990s	1980s	1970s	1960s	1950s	1940s	1930s	1920s	1910s	1900s	1890s	1880s	1870s	1860s	1850s	1840s	1830s	1820s	1810s	1800s	1790s	1780s	1770s	1760s	1750s	1740s	1730s	1720s	1710s
1990s	1980s	1970s	1960s	1950s	1940s	1930s	1920s	1910s	1900s	1890s	1880s	1870s	1860s	1850s	1840s	1830s	1820s	1810s	1800s	1790s	1780s	1770s	1760s	1750s	1740s	1730s	1720s	1710s	1700s	1690s	1680s	1670s	1660s	1650s	1640s	1630s	1620s	1610s	1600s	1590s	1580s	1570s	1560s	1550s	1540s	1530s	1520s	1510s	1500s	1490s	1480s	1470s	1460s	1450s	1440s	1430s	1420s	1410s	1400s	1390s	1380s	1370s	1360s	1350s	1340s	1330s	1320s	1310s	1300s	1290s	1280s	1270s	1260s	1250s	1240s	1230s	1220s	1210s	1200s	1190s	1180s	1170s	1160s	1150s	1140s	1130s	1120s	1110s	1100s	1090s	1080s	1070s	1060s	1050s	1040s	1030s	1020s	1010s	1000s	990s	980s	970s	960s	950s	940s	930s	920s	910s	900s	890s	880s	870s	860s	850s	840s	830s	820s	810s	800s	790s	780s	770s	760s	750s	740s	730s	720s	710s	700s	690s	680s	670s	660s	650s	640s	630s	620s	610s	600s	590s	580s	570s	560s	550s	540s	530s	520s</																																																																																	

§ Forward bargains are permitted on two previous days

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